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Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

October Term, 1991

JOHN F. BRENNAN,

Petitioner,

vs.

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE,

Respondents.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit, Or, Order Of Summary Reversal

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

I. Whether the Doctrine of Collateral Attack forecloses a party receiving priority of invention following interference proceedings before the United States Patent and Trademark Office from bringing a subsequent state tort action for abuse of process as a remedy for pecuniary and non-pecuniary damages caused by the other party's intentional and tortious abuse, corruption and perversion of the procedures and processes of the PTO during the course of the interference proceedings for ulterior and collateral motives unrelated to the valid and proper award of priority of invention.

II. Whether the Doctrine of Federal Preemption forecloses, as encroaching upon a field of exclusively federal interest, additional remedies provided under traditional state common law for personal injuries caused by the tortious perversion of legitimate federal patent proceedings for improper, ulterior and collateral purposes.

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Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit, Or, Order Of Summary Reversal

PETITION FOR WRIT OF CERTIORARI

The Petitioner, John F. Brennan, respectfully requests that a Writ of Certiorari issue to review the Judgment and Opinion of the United States Court of Appeals for the Federal Circuit entered on December 27, 1991, rehearing denied on January 27, 1991, and Suggestion for Rehearing *In Banc* denied on February 7, 1992. The questions presented raise purely legal and constitutional issues. Because the Court of Appeal's decision is so clearly erroneous, this case is also appropriate for summary reversal pursuant to Rule 16.1 of the Rules of this Court.

OPINIONS BELOW

The Opinion of the Court of Appeals for the Federal Circuit (Appendix A, pp. A-1-25) is reported at 952 F.2d

1346 (Fed. Cir. 1991). An Order Denying Rehearing (Appendix B, pp. A-26-27) was not reported. An Order Denying a Suggestion for Rehearing *In Banc* (Appendix C, pp. A-28-29) is reported at 952 F.2d 1346 (Fed. Cir. 1991).

The Opinion and Order of the Court of Appeals for the Sixth Circuit transferring this matter to the Court of Appeals for the Federal Circuit (Appendix D, pp. A-30-32) was not reported.

The Judgment on the jury verdict entered by the District Court for the Eastern District of Michigan (Appendix F, pp. A-35-36) was not reported. The Order granting partial remittitur as to the jury awards for costs and attorney fees and restricting an award of pre-judgment interest entered by the District Court (Appendix E, pp. A-33-34) was not reported.

The Order of the District Court remanding the matter to the Patent and Trademark Office (Appendix G, pp. A-37-38) was not reported.

The decision by the Board of Patent Appeals and Interferences ("Board") upon remand by the District Court (Appendix H, pp. A-39-49) was not reported. The decision by the Commissioner of Patents ("Commissioner") (Appendix I, pp. A-50-89) was not reported.

The decision by the Board awarding priority to Brennan (Appendix J, pp. A-90-130) is reported at 230 U.S.P.Q. 145 (Bd. Pat. App. & Int. 1986), *as corrected at* 230 U.S.P.Q. 560 (Bd. Pat. App. & Int. 1986).

JURISDICTION

The Judgment of the Court of Appeals (App. A p. A-1) was entered on December 27, 1991. An Order Denying Rehearing (App. B p. A-26) was entered on January 27, 1992. An Order Denying a Suggestion for *In Banc* Review (App. C p. A-28) was entered on February 7, 1992. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL, STATUTORY AND REGULATORY PROVISIONS INVOLVED

This case involves the following Constitutional provisions, statutes, regulations, legislative history and administrative notices: U.S. Const. art. I, § 8, cl. 8, art. VI, cl. 2, amend. I; 35 U.S.C. §§ 1, 31, 101, 131-135, 146; 37 C.F.R. §§ 1.56 & 1.616 and former 37 C.F.R. §§ 1.257(a), 1.259, 1.287(d)(2); S. Rep. No. 1979, 82d Cong., 2d Sess., *reprinted in* 1952 U.S. Code Cong. & Admin. News 2394, S. Rep. No. 2169, 87th Cong., 2d Sess., *reprinted in* 1962 U.S. Code Cong. & Admin. News 3286, 130 Cong. Rec. H10,525 (daily ed. Oct. 1, 1984), *reprinted in* 1984 U.S. Code Cong. & Admin. News 5827; 49 Fed. Reg. 3,768 (1984) (to be codified at 37 C.F.R. §§ 1.601-1.688) (proposed Jan. 30, 1984), 49 Fed. Reg. 48,416 (1984) (to be codified at 37 C.F.R. §§ 1.601-1.688). The pertinent texts of the foregoing are set forth in the Appendixes.

STATEMENT OF THE CASE

Petitioner Brennan seeks either an Order of Summary Reversal or a Writ of Certiorari to the Court of Appeals for the Federal Circuit regarding the Judgment of the Court of Appeals which stripped the Petitioner of $1,171,391.13 in personal injury damages awarded by the U.S. District Court for the Eastern District of Michigan following a jury trial on the common law theory of abuse of process recognized under Michigan law.

The verdict in favor of Brennan is based upon the jury's findings that, for ulterior and collateral motives unrelated to the valid and proper award of priority, the Respondents tortiously perverted and abused the legitimate processes of the U.S. Patent and Trademark Office ("PTO") during the prosecution of interference proceedings. The evidence at trial established that, in 1982, *after* the Respondents were caught committing fraud, perjury and other inequitable conduct upon the PTO by filing false statements and affidavits, they knowingly and willfully fabricated and pursued false charges of

fraud against Brennan in an effort to coerce, harass and frighten Brennan, his attorneys and investors and to gain competitive advantage by preventing or delaying Brennan's successful use of any patented technology for sequential administration of two or more intravenous fluids. Notwithstanding great emotional distress and financial hardship, Brennan did not succumb to the Respondents' coercive and harassing tactics and was awarded priority of invention due to the initial fraud, perjury and other inequitable conduct committed by the Respondents upon the PTO.

Jurisdiction of the District Court was initially secured by the filing of a complaint by the Respondents pursuant to 35 U.S.C. § 146, seeking *de novo* review of the decision of the Board of Patent Appeals and Interferences ("Board"). (App. J p. A-90). The District Court also had jurisdiction over the original action pursuant to 28 U.S.C. § 1338 and § 1331, as well as independent diversity jurisdiction over compulsory counterclaims and third-party claims filed by Brennan pursuant to 28 U.S.C. § 1332. Brennan's claims set forth state common law tort theories of fraudulent misrepresentation, abuse of process, and tortious interference with economic expectancy, and, claims of violation of the federal RICO and anti-trust statutes.

The District Court entered a pre-trial order granting partial summary judgment in favor of Respondents Abbott Laboratories, Andrew J. Muetterties and Joseph N. Genese [hereinafter collectively referred to as "Abbott"], dismissing with prejudice the RICO and anti-trust claims, as well as the state law claims for fraudulent misrepresentation, and, granting summary judgment in favor of the individual Third-Party Defendants for lack of jurisdiction over those Defendants due to the dismissal of the RICO count.

On August 9, 1989, the District Court granted Brennan's Motion for Summary Judgment on the § 146 Complaint and denied Abbott's renewed Motion for Summary

Judgment.[1] *Abbott did not appeal from the entry of the August 9, 1989 Order.*

Trial proceeded solely on Brennan's state tort law claims of abuse of process and interference with economic relations.

The jury ultimately returned a verdict which determined that Brennan take nothing on the claim of abuse of process as against Muetterties and Genese; that Brennan recover the following amounts on the claim of abuse of process against Counter-Defendant Abbott Laboratories: $250,000.00 for attorney fees, $1,070,000.00 for emotional injuries and $30,000.00 for out-of-pocket costs, for a total award of $1,350,000.00. A Judgment for $1,350,000.00 with interest thereon accruing until the date of satisfaction as permitted by law, was entered on December 21, 1989 (App. F p. A-35).

An order was entered on February 26, 1990, which denied both parties' Motions for Sanctions pursuant to Fed. R. Civ. P. 11; denied Brennan's Motion for New Trial; denied Abbott's Motion for J.N.O.V. or for New Trial; granted in part Abbott's Motion for Remittitur as to the awards for costs and attorney fees, only, and reduced the total judgment to $1,171,391.13; and, finally, held that

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[1] The Order of August 9, 1989 also vacated the District Court's prior order of July 6, 1987 (App. G p. A-37) which granted summary judgment for Abbott on the § 146 Complaint and remanded the matter to the PTO with directions to refer the matter to the Commissioner to consider the allegations of inequitable conduct. On remand the Board reaffirmed the propriety of its award of priority to Brennan, emphasizing that this award was on the ancillary matter of inequitable conduct by Abbott upon the PTO and, was *not* a sanction in favor of Brennan following a finding of priority in favor of Abbott (App. H p. A-44-49). Pursuant to former 37 C.F.R. § 1.259, the Board referred its decision on remand to the Commissioner (App. H p. A-48-49), who determined that, pursuant to 37 C.F.R. § 1.56 and case law precedent, the Board properly exercised its authority to conclude that Abbott's conduct constituted inequitable conduct ancillary to priority. (App. I p. A-81-88).

pre-judgment interest would not be allowed on the jury award for attorney fees or costs, nor on the damages awarded during periods when the case was stayed (App. E p. A-33-34).

From the Order of Feb. 26, 1990, regarding curtailment of pre-judgment interest, the Judgment of Dec. 21, 1989 with respect to the verdict of no cause for action on the claims of tortious interference and certain pre-trial orders, Brennan filed a Notice of Appeal with the U.S. Court of Appeals for the Federal Circuit.

Abbott filed a Notice of Appeal with the Sixth Circuit Court of Appeals claiming an appeal from the final order of February 26, 1990, and the Judgment on the jury verdict with respect to the claims of abuse of process.

In an Order dated June 20, 1990, the Sixth Circuit Court of Appeals concluded that it lacked jurisdiction over the Notice of Appeal filed by Abbott because, pursuant to 28 U.S.C. § 1295(a), the Federal Circuit had exclusive jurisdiction of an appeal from a District Court decision in a case brought pursuant to 28 U.S.C. § 146 (App. D p. A-31). However, pursuant to 28 U.S.C. § 1631, the Sixth Circuit ordered Abbott's Appeal transferred to the Federal Circuit (App. D p. A-31).

Thereafter, the two appeals before the Federal Circuit were consolidated, with Abbott designated as the Cross-Appellant.

The Court of Appeals for the Federal Circuit has exclusive subject matter jurisdiction over the appeals pursuant to 28 U.S.C. § 1295(a)(1) and § (a)(4)(C) because the jurisdiction of the District Court was initially invoked under 28 U.S.C. § 1338 and 35 U.S.C. § 146.

With respect to its Appeal, Abbott argued that Brennan's counterclaim for abuse of process should have been dismissed as a matter of law because: 1) no judicial process was involved in the interference proceedings before the PTO; and 2) to permit separate state law tort claims arising out of a party's misconduct before the PTO would deny or impair the party's right to petition the

government or to continue adversarial proceedings. No argument was made on the part of Abbott that remedies afforded under the state common law theory of abuse of process were preempted by former or existing federal patent laws and regulations.

Brennan responded by contending that: 1) under Michigan law, an abuse of process action will be sustained upon a showing that a judicial, quasi-judicial or administrative process is utilized in a properly filed action in an effort to threaten, coerce, or harass the opposing party; 2) the right to petition the government does not preclude liability for threats, coercive tactics, and the knowing and willful submission of false facts and allegations against the opposing party during the course of federal agency proceedings for improper purposes; and 3) the jury verdict was supported by ample evidence that the interference process was abused by Abbott's intentionally fabricated charges of fraud, improper acts of coercion and harassment against Brennan, and, evidence that Abbott's baseless charges of fraud were merely a pretext or means to extort Brennan to withdraw his legitimate charges of fraud, or, to otherwise gain competitive advantage by enjoying full use of the technology at issue while causing extraordinary delay in the issuance of Brennan's patent, or, causing the technology at issue to return to the public domain.

On Brennan's Appeal, the Court of Appeals affirmed the denial of sanctions, the dismissal of anti-trust counterclaims, and the denial of a new trial on the tortious interference counterclaim (App. A pp. A-9-17, 20-21). On Abbott's Appeal, the Court of Appeals reversed the judgment of abuse of process, and the jury's award of damages (App. A pp. A-24-25). The issue raised in Brennan's Appeal regarding entitlement to additional pre-judgment interest was deemed moot (App. A p. A-25).

When deciding to reverse the money judgment on the jury verdict in favor of Brennan, the Court below declined to resolve "the broad question of whether

actions in connection with federal administrative proceedings can ever provide the 'process' for a common law claim of abuse of process." (App. A p. A-21). The Court opted instead, to resolve "the narrow issue of whether the state tort action for abuse of process can be invoked as a remedy for inequitable or other unsavory conduct of parties to proceedings in the Patent and Trademark Office" concluding that "the federal administrative process of examining and issuing patents, including proceedings before the PTO's boards, is not subject to collateral review in terms of the common law tort of abuse of process." (App. A pp. A-21-22).

In this regard, the Court of Appeals reasoned that "[t]he PTO procedures themselves provided a remedy for Abbott's malfeasance" since "Brennan was awarded a patent although the PTO found that Brennan was not the first inventor of the subject matter." (App. A p. A-24). Relying on the cases of *Baker Driveaway Co. v. Bankhead Enter.*, 478 F. Supp. 857, 207 U.S.P.Q. 365 (E.D. Mich. 1979), and *Gilbert v. Ben-Asher*, 900 F.2d 1407 (9th Cir. 1990), *cert. denied*, 111 U.S. 177 (1990), the Court of Appeals opined that "[a]n additional state action would be an inappropriate collateral intrusion on the regulatory procedures of the PTO, 'under the guise of a complaint sounding in tort.' " (App. A pp. A-22-25). The Court reached this conclusion even while noting the contrary holding in *Neumann v. Vidall*, 710 F.2d 856 (D.C. Cir. 1983), where the D.C. Circuit refused to dismiss a state common law claim for abuse of process arising out of proceedings conducted before the PTO for an anti-competitive motive. (App. A p. A-24). According to the Court of Appeals, "the better general rule is that based on judicial disfavor of collateral attack, under the common law, on proceedings before the PTO." (App. A p. A-24).

Moreover, without any articulated deference to the historic powers of the states to provide tort remedies to compensate for personal injury, and without any analysis of the purposes and objectives of Congress in enacting

the federal patent law and enabling federal patent regulations, the Court of Appeals below concluded that a state action for abuse of process "is contrary to Congress' preemptive regulation in the area of patent law." (App. A p. A-25).

Brennan filed a timely combined Petition for Rehearing and Suggestion for Rehearing *In Banc*. Rehearing was denied in an order dated January 27, 1992 (App. B p. A-26). The Suggestion for Rehearing *In Banc* was denied on February 7, 1992 (App. C p. A-28).

REASONS FOR SUMMARY REVERSAL OR GRANTING OF THE WRIT

The Petitioner Brennan brings before the Court issues of state power and federalism of great significance to American jurisprudence which have not been, but must be, settled by this Court.

Without any authority and without proper analysis of attendant constitutional, legal and policy considerations, the Court of Appeals has declared that the doctrines of collateral attack and federal preemption foreclose state common law tort actions for abuse of process as a remedy for personal injuries sustained by a private party as a result of the tortious misconduct of another party to proceedings before the PTO.

At best, this unprecedented decision constitutes a monstrous transformation of a party's constitutional right to petition the PTO for a determination of priority of invention into absolute immunity from tort liability for pecuniary and non-pecuniary damages caused by the abuse and perversion of the patent office processes – personal injury damages which the PTO is not, and has never been, authorized to award because Congress and the Courts have conferred upon the PTO only the power to fashion equitable remedies when granting or determining patent rights.

At worst, the unprecedented decision constitutes an unconstitutional infringement upon the historic police

powers of states to invoke traditional common law so as to compensate victims of personal injuries caused by intentional and tortious acts and omissions. State common law of abuse of process has coexisted harmoniously with federal patent protection for over 200 years, and, the U.S. Constitution, the federal statutes, legislative history, regulations and regulatory history do not support the notion that Congress intended to preempt the historic power of states to ensure compensation of tort victims.

Unless this Court acts by either summarily reversing the judgment of the Court of Appeals or granting the Writ of Certiorari to the Court of Appeals, the decision of the lower court will drastically alter sensitive federal-state relationships, upsetting the delicate balance heretofore carefully protected and preserved by the Constitution and by this Court.

Moreover, unless this Court acts, the decision of the Court of Appeals will serve to *promote* the misuse and perversion of the legitimate processes of the PTO and the subversion of the integrity of that agency – and potentially all other federal agencies – while depriving victims of such abuse relief only available under traditional state tort law – all to the detriment of the parties to proceedings before federal agencies, to the federal agencies themselves, as well as to the usual constitutional balance between the states and federal government.

I. Consideration by this Court is necessary because the Court of Appeal's unprecedented determination that a state common law action for abuse of process constitutes an improper collateral intrusion on the PTO is in direct conflict with decisions by this Court and decisions by the Courts of Appeals for the District of Columbia Circuit, the Ninth Circuit, and the Federal Circuit.

A. There is clear conflict between the Court of Appeals for the Federal Circuit and the decision of the Court of Appeals for the District of Columbia Circuit in *Neumann v. Vidall, supra.* In *Neumann,* an abuse of process

action was filed by a patent applicant after a competitor charged that the applicant had committed fraud before the PTO and filed other proceedings with the PTO allegedly designed to delay the issuance of the patent and discourage potential investors. 710 F.2d at 858. The District of Columbia Circuit held that these allegations stated a valid state common law cause of action for abuse of process. *Id.* at 860. See also: *Lewis v. Lho*, 696 F. Supp. 723, 728 (D. D.C. 1988) (encouraging the submission of forged and fraudulent documents to the FCC to gain competitive advantages is abuse of process).

The Court of Appeals below noted, but rejected, the holding in *Neumann*, and, without any supporting legal authority, determined the "better general rule is that based on judicial disfavor of collateral attack, under the common law, on proceedings before the PTO" (App. A p. A-24).

Since the Court of Appeals made no attempt to conceal its disagreement with *Neumann, supra*, its opinion here can be characterized as an invitation to this Court to resolve the conflict created.

B. There is also clear conflict between the Court of Appeals for the Federal Circuit and prior decisions by this Court and the Ninth Circuit Court of Appeals' decisions defining and applying the doctrine of collateral attack.

Specifically, the decision below absolutely misconstrues the cited case of *Gilbert v. Ben-Asher, supra* (plaintiff's abuse of process claims dismissed as a collateral attack upon the final decision of the Arizona Board of Medical Examiners to revoke plaintiff's license to practice medicine because the tort claims for damages were filed against the individual members of the Board and indirectly challenged the Board's final decision).

Additionally, the decision below ignores a host of other appellate decisions narrowly defining "collateral attack" as questioning the validity of a judgment in a proceeding not brought for the purpose of modifying, setting aside, vacating or enjoining the judgment; an

attempt to avoid and defeat or evade judicial decree or to deny its force and effect. *See, e.g., Callanan Road Improvement Co. v. United States*, 345 U.S. 507, 512 (1952) (separate administrative proceeding precluded where attempt made to defeat an order of the Interstate Commerce Commission), *MGA, Inc. v. General Motors, Corp.*, 827 F.2d 729, 732, 3 U.S.P.Q.2d 1762 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1009 (even though an action has an independent purpose and contemplates some other relief, it is a collateral attack if it must in some fashion overrule a previous judgment), *American Guaranty Corp. v. United States*, 401 F.2d 1004, 1010-11 (U.S. Ct. Cl. 1968) (bankruptcy referee's orders not subject to modification or defeat in a separate action filed with the District Court), *Interstate Natural Gas Co. v. Southern Cal. Gas Co.*, 209 F.2d 380, 385 (9th Cir. 1953) (party may not by means of a separate suit for damages indirectly annul decisions by the Federal Power Commission).

In this case, and unlike the cases where claims were properly dismissed pursuant to the doctrine of collateral attack, Brennan's state law tort claims were filed against the real parties in interest to the interference proceedings, and *not* against any members, employees, or staff of the PTO. Additionally, Brennan's state law tort claims did *not* directly or indirectly challenge the final decision of the PTO Board awarding priority of intervention in favor of Brennan on all counts due to Abbott's fraud, perjury, and inequitable conduct upon the PTO. Rather, and as the Court of Appeals itself conceded, Brennan's counterclaims for abuse of process followed Abbott's attack of the Board's decision to award priority of invention to Brennan via a § 146 appeal. (App. A p. A-24). Indeed, Brennan *relied upon* the Board's decision.

***Most importantly,* Brennan's abuse of process claims focused on the torts committed by Abbott upon Brennan, *separate and distinct* from the inequitable conduct committed by Abbott upon the PTO.**

The Court of Appeals' misapplication of the collateral attack doctrine is in clear conflict with the prior decisions of this Court and the Federal Circuit, as well as the Ninth Circuit, and therefore constitutes an invitation for action by this Court.

C. Finally, the Federal Circuit Court of Appeals' analysis and application of the doctrine of collateral attack is ripe for summary reversal or review on the merits because the decision conflicts with prior decisions of this Court limiting the scope of the First Amendment right to petition.

Among the guarantees enumerated in the First Amendment to the Constitution is the right to petition the government for a redress of grievances. U.S. Const. amend. I.

In the context of federal antitrust and labor laws, this Court has developed a doctrine which exempts parties from liability for the valid petitioning of the legislature, courts, and administrative agencies, despite improper motive or dilatorious incidental effect. *Eastern R.R. President's Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 139 (1961), *United Mine Workers v. Pennington*, 381 U.S. 657, 660 (1965), *Bill Johnson's Restaurants, Inc. v. N.L.R.B.*, 461 U.S. 731 (1983), *Otter Tail Power Co. v. United States*, 410 U.S. 366, 380 (1973).

However, this Court has also developed clear limitations to the exemption from liability grounded in First Amendment protection.

Specifically within the context of administrative or judicial processes, this Court has held that the exemption from liability will *not* apply if the petitioning activities are a "sham", to wit, used as an integral part of illegal, deceptive or unethical conduct which violates valid statutes or common law. *Noerr, supra*, at 144, *California Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508, 512-15 (1972) ("there are many . . . forms of illegal and reprehensible practice which may corrupt the administrative or judicial processes and which may result in [liability])" *Id.* at 512-13; *Bill Johnson's Restaurants, Inc., supra*, at 743-44

(state action for retaliatory purpose will form a basis of liability under federal labor laws where suit is based on false or unsubstantial claims). *See also: Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 500, n. 4 (1988). The rationale here is that First Amendment rights may not be used as a means or pretext for abusing or corrupting administrative or judicial processes, or subverting the integrity of such processes. *California Motor, supra*, at 513-15, *Bill Johnson's Restaurants, Inc., supra.*

In its Opinion, the Court of Appeals below relied upon *Baker Driveaway Co., supra* for the proposition that an alleged abuse of the processes of the PTO is not remediable by a state common law tort action absent a showing that the entire agency proceeding was a "sham" (App. A, pp. A-22-23). The Court then determined that Brennan neither asserted nor proved a "sham" petition, reasoning that "[a]lthough Brennan complains of the delay he experienced in receiving a patent after Abbott's false affidavit of mailing, we take notice that delay is ubiquitous in PTO proceedings, and does not of itself support an action for abuse of process" (App. A p. A-23).

Despite the Court of Appeals' misreading of the record, misapplication of *Baker Driveaway, supra*, and its misplaced reference to the *Noerr-Pennington* doctrine, this case did *not* involve allegations or proofs that the procedures established by Congress and by the Patent Office are insufficient ways to deal with "inequitable or other unsavory conduct" during patent contests. Nor did recovery rest solely upon the delay in the issuance of the patent rights to Brennan caused by Abbott's execution of its right to petition the PTO: Brennan never contested the right of Abbott to file patent applications or to resist in a proper fashion Brennan's charges of inequitable conduct which, following extensive proofs, were found by the Board to be totally justified (App. J pp. A-97-123).

Instead, at the heart of this case were proofs that, *after* Abbott was caught filing false affidavits of mailing and committing fraud, perjury and other inequitable conduct upon the patent office, Abbott then 1) intentionally fabricated, and pursued with a vengeance, false counter-charges of fraud against Brennan; and, 2) issued vile threats regarding disbarment of Brennan's attorney. It was proven that these reprehensible actions were taken with the motive and intent to coerce, harass, and frighten Brennan, his attorney and investors, and to gain unfair competitive advantage by preventing *or* delaying Brennan's successful use of the technology. For, as a senior party and patent holder, Abbott enjoyed exclusive use of the technology pending a final decision. Finally, it was proven that Abbott's tortious and reprehensible actions – and *not* Abbott's valid exercise of its right to petition the patent office – were the proximate cause of Brennan's substantial emotional and financial damages. These were the jury's findings!

In short, the proofs at trial established that Abbott knowingly filed and pursued false counter-charges of fraud as a pretext for and means of abusing and corrupting administrative processes, thereby subverting the integrity of the PTO and, more to the point, creating liability under state tort law. Indeed, these proofs – and the ultimate jury award – transcend the patent system itself, focusing instead upon the price a party must pay under the Michigan common law of abuse of process for perverting a legitimate governmental process for ulterior, improper and collateral motives.[2]

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[2] Under established and controlling Michigan law, such proofs of personal injuries support an award of compensatory damages under a theory of abuse of process. *Spear v. Pendill*, 164 Mich. 620, 130 N.W. 343 (1911), *Friedman v. Dozorc*, 412 Mich. 1, 312 N.W.2d 585 (1981), *Vallance v. Brewbaker*, 161 Mich. App. 642, 411 N.W.2d 808 (1987), *appeal denied*, 430 Mich. 883 (1988), *Three Lakes Ass'n v. Whiting*, 75 Mich. App. 564, 255

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Given such proofs of personal injury damage caused by Abbott's egregious efforts to subvert the integrity of the patent process, this Court would *not* find Abbott's liability under a theory of abuse of process precluded by the right to petition the government protected by the First Amendment. *Allied Tube Corporation, supra; Noerr, supra; California Motor Transp., supra; Bill Johnson's Restaurants, Inc., supra.*

Clearly, a conflict exists between prior decisions of this Court *limiting* the exemption from liability created by the valid exercise of the First Amendment right to petition and the unprecedented decision by the Court of Appeals below that, notwithstanding allegations, proofs and a jury determination that Abbott knowingly and willfully subverted the valid processes of the PTO by submitting and pursuing false counter-charges of fraud for improper and collateral purposes, the First Amendment precludes *any* liability under a state common law tort theory of abuse of process. This Court has *never* denied a remedy to victims of tortious perversion of administrative proceedings and therefore, the contrary decision of the Court of Appeals requires action by this Court.

D. **In sum,** the decision of the Federal Circuit Court of Appeals in this case squarely conflicts with the better reasoned decision of the District of Columbia Circuit Court of Appeals in *Neumann, supra,* on the question of whether the doctrine of collateral attack forecloses an abuse of process action under state common law as a remedy for the tortious misconduct of a party to proceedings before the PTO. Before the Court of Appeals' decision in this case, no court had ever answered that

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N.W.2d 686 (1977), *Meehan v. Michigan Bell Tel. Co.*, 174 Mich. App. 538, 436 N.W.2d 711 (1989), *Mitchell v. Cole*, 176 Mich. App. 200, 439 N.W.2d 319 (1989); *Trepel v. Pontiac Osteopathic Hosp.*, 135 Mich. App. 361, 354 N.W.2d 341 (1984).

question in the affirmative. Moreover, the unprecedented decision below conflicts in substance with prior decisions by this Court, and the Circuit Court of Appeals for the Federal and Ninth Circuits defining the proper and limited scope and application of the doctrine of collateral attack. Finally, the unprecedented decision below directly conflicts with prior decisions of this Court which foreclose use of First Amendment rights as a means of avoiding liability for the abuse and corruption of administrative processes and the subversion of the integrity of such processes.

For these reasons, the case at bar is ripe for either summary reversal or review on the merits by this Court.

II. Consideration of the case by this Court is necessary because the Court of Appeals' conclusion that Congress alone may provide remedies for misconduct during patent proceedings ignores and conflicts with this Court's pronouncements regarding the basic principles of federalism, federal preemption in general, and federal preemption in the patent area in particular.

Art. I, § 8, cl. 8 of the Constitution gives to Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries". The objective of Art. I, § 8, cl. 8 is to facilitate the granting of patent rights national in scope, by eliminating the need for multiple patent applications in every state and by providing a reward greater in scope than any particular state may grant to promote progress in the fields of arts and sciences. *Goldstein v. California*, 412 U.S. 546, 555-56 (1973); *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1983); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 478-79 (1974); *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 146 (1989). This objective is bolstered by acts of Congress which codify the laws relating to the creation and enforcement of patent rights; confer upon a federal agency the exclusive authority to administer the federal patent system; and, vest

exclusive jurisdiction to hear patent and copyright cases in the federal courts. *Goldstein, supra; Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

The patent laws promote Art. I, § 8, cl. 8 by: 1) offering inventors exclusive rights for limited periods as a reward for their creativity and research, and, as an incentive for further efforts; 2) allowing the public access to the products of new technology after the limited periods of exclusive control have expired; and, 3) assuring that ideas in the public domain remain there for free public use. *Kewanee, supra; Aronson, supra; Sony Corp., supra; Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980); *Grant, et al. v. Raymond*, 31 U.S. 218 (1832).

In cases too numerous to cite, this Court has held that state law may be preempted under the Supremacy Clause, U.S. Const. art. VI, cl. 2 where through federal laws and/or regulations, Congress either explicitly defines the extent to which its enactments preempt state law, or, where Congress has implicitly supplanted state law.

Congress is deemed to implicitly preempt state law where federal statutes and/or regulations touch a field in which the federal interest is so dominant that the federal system will be assumed to preclude enforcement of state law touching on the subject. The test here: whether compliance with both federal and state law is impossible, or, whether the state law stands as an obstacle to accomplishment of the full purposes and objectives of Congress. *See, e.g., Silkwood v. Kerr-McGee Corp.*, 464 U.S. 238, 248 (1984); *English v. General Electric Co.*, 496 U.S. 72 (1990); *Goldstein, supra*, at 561.

However, there is always a presumption against implicit preemption.

The presumption against preemption is particularly strong where an attempt is made to prevent the states from exercising their historic police powers on behalf of their citizens, such as providing tort remedies to compensate for personal injuries. *See, e.g: Florida Lime and Avocado*

Growers, Inc. v. Paul, 373 U.S. 132, 144 (1963), *Jones v. Rath Packing Co.*, 430 U.S. 519, 525 (1977). This Court has repeatedly held that preemption will *not* be implied in areas traditionally occupied by the states unless Congressional intent to supersede state laws is made clear and manifest. *English, supra; Silkwood, supra; Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947). This circumspect view of implicit federal preemption emanates from the recognition that, if Congress intends to alter the usual constitutional balance between the states and federal government, it must make its intention to do so unmistakably clear in the language of the statute or regulation. *Will v. Michigan Dept. of State Police*, 491 U.S. 58 (1989); *Bowen v. American Hosp. Ass'n*, 476 U.S. 610, 643-44 (1986); *United States v. Bass*, 404 U.S. 336, 349 (1971).

Additionally, this Court has recognized that Congress is understood to legislate against a backdrop of state common law. *California v. ARC America Corp.*, 490 U.S. 93 (1989), *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 111 S. Ct. 2166 (1991), *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 184-85 (1988). Moreover, this Court has repeatedly and specifically held that state causes of action are not preempted solely because they impose liability over and above that authorized by Congress: it is entirely possible for state common law remedies to apply where the actionable conduct occurs in an area of exclusive federal concern. *English, supra; ARC America Corporation, supra* at 105; *Silkwood, supra.*

In short, there is presumption against implicit federal preemption of any exercise of the historic state police power – including the creation and enforcement of state common law tort remedies – unless these remedies, additional or otherwise, are expressly supplanted by Congress.

The Court of Appeals below did not hold that Congress and/or the PTO has explicitedly preempted Petitioner's state common law tort action for abuse of process, by inserting specific preemptive language into

the patent laws or regulations. Indeed, the federal statutes and regulations as well as the legislative and regulatory history are silent in this regard.

Rather, the Court of Appeals apparently rested its decision on implicit preemption under a federal field rationale, noting that "[t]he patent grant is within the exclusive purview of federal law" (App. A p. A-22), and, thereafter holding that an additional state law action providing a remedy for the Respondents' abuse of the patent office process "[i]s contrary to Congress' preemptive regulation in the area of patent law." (App. A p. A-25).

However, the Court of Appeals' unprecedented conclusion in this regard directly conflicts with prior decisions of this Court defining the limits of federal field preemption, in general, and federal field preemption in the patent field in particular.

A. **First,** the decision by the Court of Appeals below conflicts in substance with decisions of this Court setting the general parameters of federal field preemption.

A review of the text and history of patent statutes and regulations, current and former, reveal no clear and manifest intention on the part of Congress to preclude additional state common law tort remedies when enacting the federal patent statutes set forth in Title 35 of the U.S. Code nor when enabling federal patent regulations set forth in Chapter 37 of the Code of Federal Regulations. In general, these provisions only define the procedures in and responsibilities of the PTO attendant to examination of patent applications and determination of which party has priority of invention antecedent to the right to exclude. *See generally*, S. Rep. No. 1979, 82d Cong., 2d Sess., *reprinted in* 1952 U.S. Code Cong. & Admin. News 2394-97; S. Rep. No. 2169, 87th Cong., 2d Sess., *reprinted in* 1962 U.S. Code Cong. & Admin. News 3286; 130 Cong. Rec. H10,525 (daily ed. Oct. 1, 1984), *reprinted in* 1984 U.S. Code Cong. & Admin. News, 5827 (App. O pp. A-146-50).

Specifically as to the state tort law remedies available for damages caused by abuse of the processes of the Patent Office, the text and history of the patent regulations, current and former, reveal no clear and manifest intention on the part of Congress or of the Patent Office to preclude such remedies.

37 C.F.R. § 1.56[3] (App. M pp. A-138-42) imposes duties of candor, good faith and disclosure upon every party, attorney and agent appearing before the PTO, and permits the striking or rejection of patent applications where these duties are violated or where fraud is committed *upon the Patent Office*. This provision relates to any papers or documents filed with the PTO and all proceedings before the PTO. 37 C.F.R. § 1.56(b)-(j) (App. M pp. A-138-42), 47 Fed. Reg. 21,746 (1982) (to be codified at 37 C.F.R. § 1.56) (App. P pp. A-151-52).

Even before the promulgation of 37 C.F.R. § 1.56, this Court held that the "uncompromising" duties of disclosure, candor and good faith are rooted in the strong public interest in seeing that patent monopolies spring

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[3] **§ 1.56. Duty of disclosure; fraud; striking or rejection of applications**

(a) A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.

* * *

from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. *Precision Instruments Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945). There, this Court created the patent office's power to withhold patent rights from a party engaging in fraud or other inequitable conduct upon the patent office, equating this power with that available under the equitable doctrine of unclean hands. *Id.* at 814-16.[4]

Since 1984, 37 C.F.R. § 1.616[5] (App. M pp. A-142-43) [incorporating former 37 C.F.R. § 1.287(d)(2)

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[4] In this particular case, the Board granted priority to Brennan on the basis that Abbott's inequitable conduct prevented the award of priority to Abbott (App. J pp. A-123, 129-30). On remand, the Board reaffirmed its award of priority to Brennan "[o]n the ancillary matter of inequitable conduct on the part of Abbott." (App. H p. A-44). Pursuant to former 37 C.F.R. § 1.259 (App. N pp. A-144-45), the Board referred to the Commissioner its decision on the ancillary matter of inequitable conduct (App. H pp. A-48-49). Relying upon 37 C.F.R. § 1.56 and *Precision Instruments, supra*, the Commissioner determined that "[t]he Board had authority to conclude that Abbott's conduct constituted inequitable conduct ancillary to priority . . . " because Abbott's conduct "[w]as clearly a violation of Abbott's duty of candor to the PTO." (App. I p. A-85).

[5] **§ 1.616 Sanctions for failure to comply with rules or order.**

An examiner-in-chief or the Board may impose an appropriate sanction against a party who fails to comply with the regulations of this part or any order entered by an examiner-in-chief or the Board. An appropriate sanction may include among others entry of an order:

(a) Holding certain facts to have been established in the interference;

(b) Precluding a party from filing a motion or a preliminary statement;

(c) Precluding a party from presenting or contesting a particular issue;

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(App. N p. A-145)] has specifically permitted an Interference Examiner or the Board to impose appropriate equitable sanctions against a party to an interference proceeding who fails to comply with its rules or orders. 49 Fed. Reg. 3,768 (1984) (to be codified at 37 C.F.R. §§ 1.601-88) (proposed Jan. 30, 1984); 49 Fed. Reg. 48,416 (1984) (to be codified at 37 C.F.R. §§ 1.601-88), (App. P pp. A-152-56). The PTO conducts interference proceedings solely to determine who, as between two or more parties, shall receive priority of invention and therefore, may receive the right to exclude under the federal patent laws. 49 Fed. Reg. 3,768; 49 Fed. Reg. 48,416; 35 U.S.C. §§ 131-135.

In short, when enacting 35 U.S.C. §§ 131-135 and enabling regulations such as 37 C.F.R. § 1.56 and § 1.616, Congress only intended to insure that patent monopolies, obtained via interference proceedings, remain free from the taint of fraud or other inequitable conduct. These powers allow the PTO to vindicate itself of inequitable conduct practiced against it. Nothing in the text or history of these federal statutes and regulations even remotely suggests that Congress intended to alter the usual constitutional balance between the states and federal government by preventing the states from exercising their historic police power on behalf of their citizens to provide tort remedies in order to compensate for the *personal injuries* of victims of abuse of the patent process. The requisite presumption therefore: preemption of traditional state common law theories of abuse of process under the patent field preemption rationale will *not* be implied. *Will, supra; Bowen, supra; Bass, supra.*

The Court of Appeals below, without the requisite analysis, apparently concluded that, because Congress

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(d) Precluding a party from requesting; obtaining, or opposing discovery; or

(e) Granting judgment in the interference.

did not specifically include monetary damages for personal injuries among the sanctions for misconduct outlined in the current and former federal regulations, then Congress obviously intended not to permit such a remedy under either federal or state law.

However, such analysis is in direct conflict with the prior decisions of this Court which compel the exact opposite result: because Congress has left unattended the area of remedies for personal injury damage caused by the abuse of the patent process, the states remain free under their traditional police powers to compensate such tort victims because Congress would not, without comment, remove all historically existing means of legal recourse, reposited in state common law, for those suffering personal injuries during the course of federal agency proceedings designed solely to determine priority of invention. ***See, e.g., Silkwood, supra; English, supra; Florida Lime and Avocado Growers, supra; Jones, supra; Will, supra; Bowen, supra; Bass, supra.*** **The Court of Appeals' determination that the "added" liability under the state common law tort theory of abuse of process is contrary to Congress' preemptive regulation in the field of patent law, also directly conflicts with this Court's teachings that state causes of action are not preempted solely because they impose liability over and above that authorized by federal statutes and regulations, and, that traditional state common law remedies apply with full force unless expressly supplanted by Congress.** ***English, supra; ARC America Corporation, supra; Silkwood, supra.***

Hence, this Court should now resolve the conflict between the Court of Appeals' decision and the decisions of this Court by summarily reversing or reviewing on the merits the issue of whether Congress has so occupied the field of patent protection as to preempt all additional state common law remedies arising from the misconduct of parties to a patent proceeding or litigation.

B. Secondly, action by this Court is warranted because the Court of Appeals' decision below directly

conflicts with prior decisions of this Court and the Federal Circuit Court of Appeals outlining the extent to which Congress has implicitly preempted state common law in the patent field.

1. One line of cases stands for the proposition that there is no clear and manifest intent on the part of Congress in enacting the patent laws and enabling the patent regulations to preempt all state common law remedies resting upon the historic police powers of states and traditionally made available to residents who allege actionable misconduct. *See: Aronson, supra* (state contract law not preempted by federal patent law so as to preclude enforcement of a royalty contract) *Kewanee, supra,* (state trade secret law not preempted by operation of federal patent laws), *Power Lift, Inc. v. Weatherford Nipple-Up Sys.*, 871 F.2d 1082 (Fed. Cir. 1989) (state law dealing with forfeiture of contract rights not preempted by federal patent law), *Universal Gym Equip. v. ERWA Exercise Equip.*, 827 F.2d 1542 (Fed. Cir. 1987) (federal patent law did not preempt state law for damages arising out of breach of licensing agreement).

The historic police powers of the states include the power to compensate victims of the tort known as abuse of process. This tort dates back as far as 1838, when the English and American courts developed a theory to permit a remedy for situations where, although legal procedures had been set in motion in proper form, with probable cause and possibly ultimate success, these procedures had been perverted to accomplish an ulterior purpose for which the process was not designed. Prosser & Keeton, *Torts* (5th ed. 1984) § 121, at 897-900.

Congress is understood to have enacted the patent laws and enabled the patent regulations against the backdrop of the historic state common law tort theory of abuse of process. ***ARC America Corp., supra; Astoria Fed. Sav. & Loan Ass'n, supra; Goodyear Atomic Corp., supra.***

It is absurd and irrational to conclude, as did the Court of Appeals below, that Congress intended to preempt state common law tort actions for damages stemming from the abuse of the patent processes, but intended not to preempt other state common law tort actions and state common law contract actions touching upon the subject of patent rights.

Without question, the decision by the Federal Circuit Court of Appeals in this case conflicts directly with the prior decisions by this Court and by that Circuit on the subject of federal patent field preemption, and therefore, constitutes an invitation to this Court to review the issue.

2. The decision by the lower appellate court also conflicts in substance with prior decisions of this Court defining the extent to which state common law remedies stand as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress in enacting patent laws and enabling patent regulations.

In *Kewanee, supra* this Court held that state protection of trade secrets, as applied to both patentable and unpatentable subject matter, did not conflict with the federal patent laws. *Id.* at 482-91. In reaching its holding, the *Kewanee* Court emphasized that state trade secret law and federal patent law each has its particular and independent role to play, that Congress has given no indication that the operation of the state law was inconsistent with the operation of federal patent laws, and that, until Congress takes affirmative action to the contrary, states should be free to grant protection to trade secrets. *Id.* In *Aronson, supra,* this Court held that state contract law was not preempted by federal patent law so as to preclude enforcement of a royalty agreement between a patent applicant and a manufacturing company, because it was not inconsistent with the aim of the federal patent system but merely required the company to pay the consideration which it promised in return for the use of a novel device which had enabled the company to be first on the market with the device. *Id.* at 262-66.

Such decisions by this Court compel the conclusion that state common law providing compensation for personal injuries caused by the abuse of the patent process does not clash or interfere with the objectives and implementation of federal patent law.

First, there is no actual conflict between the traditional state common law tort theory of abuse of process and the federal patent laws and regulations because the state law and federal system have absolutely distinct and independent objectives and remedies.

The equitable remedies that have been allowed the PTO under the federal regulations or case law in situations involving fraud or other misconduct committed upon the PTO, have always been limited to either sanctions affecting the grant of patent rights or the power to withhold such rights. *In contrast, the legal remedy afforded under state common law to the private victims of abuse of the PTO process is redress for personal injuries separate and distinct from the ultimate determinations by the PTO regarding priority and/or patentability.* For, in an abuse of process action, focus is only upon the purpose for which the process is used, regardless of the outcome; it is unnecessary for a plaintiff to prove that the underlying proceeding was terminated in the plaintiff's favor. Prosser & Keeton, *Torts, supra.* In other words, a party could lose on a determination of priority of invention, and still maintain a civil action under state common law for abuse of the patent processes.

The object of the federal law and regulations permitting the PTO to exercise its equitable powers in cases of fraud and other inequitable conduct is to *protect the public* from tainted patent monopolies. *In contrast, the object of the tort theory of abuse of process is to provide monetary compensation for a private party injured by the abuse of any valid judicial, administrative or other legal procedure.* Prosser & Keeton, *Torts, supra.*

The bottom line is that compliance with both the federal patent system and state tort law is entirely possible and desirable. A party is certainly capable of participating in an interference proceeding without resorting to *either* fraud, perjury, inequitable conduct or other rules violations which could affect patent rights, *or*, misuse of the patent process for an improper and collateral purpose which could affect tort liability.

Using the facts of this case as an example, Brennan's tort recovery was *not* premised upon Abbott's decision to pursue any and all remedies under federal patent law in order to gain priority of invention, and thereby maintain the exclusive right to exclude. Rather, Brennan's state law theory was that Abbott tortiously perverted the legitimate federal patent interference proceedings to accomplish an end not intended by federal patent law and regulation, to wit, to frighten off Brennan, his attorneys and investors, as well as to delay Brennan from ever successfully enjoying patent rights, and, as a result, Brennan suffered monetary losses in the form of costs, attorney fees and emotional distress.

The jury at trial found Brennan's proofs of abuse of process so compelling it awarded reasonable compensatory damages. Such an award for personal injuries simply does not intrude upon the exclusive province of the patent office with respect to the determinations of priority and patentability. The PTO is and always has been without authority to issue relief capable of compensating pecuniary and non-pecuniary losses – such relief being *outside* the purpose, scope and language of federal patent laws and regulations, and residing instead, within the historic purview of common law tort theories espoused by the various states, including Michigan.

The obvious conclusion: the PTO's exclusive authority to administer equitable sanctions relative to patent rights under federal law and regulation does not foreclose additional legal remedies for separate and distinct personal injuries under state common law tort theories. This conclusion is strongly suggested by this Court's decisions in

Kewanee, supra; **and** *Aronson, supra,* **and therefore, the contrary determination by the Court of Appeals below warrants either preemptory reversal or further review by the issuance of a Writ of Certiorari.**

Secondly, the state common law theory of abuse of process does not stand as an obstacle to the accomplishment of the full purposes and objectives of the federal patent system. The goal of this traditional state law tort theory is to discourage the perversion of *any proper legal proceeding* for an improper and collateral purpose such as coercion to obtain a collateral advantage, not properly involved in the proceeding itself. Discouragement of the tortious perversion of the federal patent system does not impair the creative activity of inventors, does not discourage any one from seeking a patent, does not deprive the public of the use of valuable or patentable inventions, and, does not impair public access to new technologies after the limited period of control has expired.

Certainly, the patent policy of encouraging invention and free competition is not disturbed by state common law that requires interference proceedings before the PTO be conducted *fairly,* without resort by any party to the tortious misuse, abuse and perversion of the processes for improper and collateral objectives unrelated to priority of invention and/or patentability. Indeed, the abolition of state law remedies for abuse of the patent process will only discourage small, private and independent inventors for pursuing their rights through an interference proceeding because that individual would be exposed to fraud, coercion and harassment on the part of parties such as the respondents, without any legal recourse.

C. In sum, the state common law tort theory for abuse of process poses no threat whatsoever to the scheme of federal laws and regulation aimed at the promotion of invention, while at the same time preserving free competition. Congress has never acted to displace the historic police powers of the states so as to preclude additional legal remedies available under the traditional tort theory of abuse of process from arising out of patent

proceedings. Nor is there any compelling federal policy or interest which demands that this tort theory be singled out from other common law theories such as breach of contract, unfair trade competition, tortious interference with economic expectancies, etc., all of which have coexisted harmoniously with federal patent protection for over 200 years. Finally, compliance with federal patent law and regulations and the state tort law of abuse of process is not only possible, it is desirable.

This conclusion is mandated by prior decisions of this Court, and, the Court of Appeals' unprecedented decision to the contrary merits, at least, further review upon the grant of the Petitioner's Writ of Certiorari, or, because it is so clearly erroneous, summary reversal.

CONCLUSION

For the foregoing reasons, Petitioner John F. Brennan respectfully requests that a Writ of Certiorari issue to review the Judgment and Opinion of the U.S. Court of Appeals for the Federal Circuit, *or*, that the Judgment and Opinion be summarily reversed in part with the remitted judgment on the jury verdict entered by the District Court below reinstated and the matter then remanded to the Court of Appeals for consideration, *only*, of whether the District Court erred by precluding pre-judgment interest on the Judgment during periods when discovery was stayed and when the action was remanded to the PTO and on that part of the Judgment reflecting costs and attorney fees awarded by the jury as an element of damages for abuse of process.

Respectfully Submitted,

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April 22, 1992

APPENDIX A

United States Court of Appeals for the Federal Circuit

90-1268, -1424

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE,

Plaintiffs/Cross-Appellants,

v.

JOHN F. BRENNAN,

Defendant-Appellant.

Michael Dockterman, of Wildman, Harrold, Allen & Dixon, Chicago, Illinois, argued for plaintiffs/cross-appellants. With him on the brief was *Joan M. Fencik*.

Michelle A. Thomas, of Sullivan, Ward, Bone, Tyler, Fiott & Asher, Southfield, Michigan, argued for defendant-appellant. With her on the brief was *Ronald S. Lederman*, of counsel.

Appealed from: United States District Court for The Eastern District of Michigan

J. Friedman

United States Court of Appeals
for the Federal Circuit

90-1268, -1424

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE,

Plaintiffs/Cross-Appellants,

v.

JOHN F. BRENNAN,

Defendant-Appellant.

DECIDED: December 27, 1991

Before NEWMAN, MAYER, and LOURIE, *Circuit Judges.*

NEWMAN, *Circuit Judge.*

Appellant John F. Brennan, and cross-appellants Abbott Laboratories, Andrew J. Muetterties and Joseph N. Genese (collectively "Abbott"), ask our review of various aspects of the judgment of the United States District Court for the Eastern District of Michigan, including rulings on certain pre- and post-trial motions.[1]

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[1] *Abbott Laboratories v. Brennan*, No. 86-70935 (E.D. Mich. November 20, 1986) (Order); *Abbott Laboratories v. Brennan*, No. 86-70935 (E.D. Mich. November 20, 1989) (Order); *Abbott Laboratories v. Brennan*, No. 86-70935 (E.D. Mich. December 21, 1989) (Judgment); *Abbott Laboratories v. Brennan*, No. 86-70935 (E.D. Mich. February 22, 1990)(Order).

Background

This case arose upon interference proceedings in the United States Patent and Trademark Office (the "PTO"), involving a patent application of which Mr. Brennan is the inventor, a patent owned by Abbott Laboratories of which Andrew J. Muetterties and Joseph N. Genese are joint investors, and a reissue application owned by Abbott and naming only Muetterties as inventor. The invention of the counts of the interference is an intravenous delivery device for sequentially administering two medical liquids to a patient, each at a different flow rate.

The Board of Patent Appeals and Interferences awarded priority of invention to Brennan. The Board held that the Muetterties/Genese dates of conception and reduction to practice were prior to those of Brennan, but that because an attorney for Abbott had backdated a request for extension of time and falsely averred that the request had been timely made, this activity constituted inequitable conduct, with the result that Abbot was not awarded priority. *Brennan v. Muetterties*, 230 USPQ 145 (Bd. Pat. App. & Int. 1986).

Abbott brought a civil action in the district court pursuant to 35 U.S.C. § 146,[2] seeking to set aside the

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[2] **35 U.S.C. § 146. Civil action in case of interference**

Any party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences, may have remedy by civil action. . . . In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party . . . without prejudice to the right of the parties to take further testimony. . . .

award of priority to Brennan. Brennan counterclaimed for fraudulent misrepresentation, abuse of process, tortious interference with economic relations, antitrust violations under the Sherman and Clayton Acts, violation of the Racketeer Influenced and Corrupt Organizations Act, and intentional infliction of emotional distress. The district court dismissed Brennan's claims for antitrust and RICO violations, intentional infliction of emotional distress, and fraudulent misrepresentation. The court declined to dismiss the claims for tortious interference and abuse of process.

Abbott then moved for summary judgment on the issue of priority of inventorship, arguing that the Board erred as a matter of law in awarding priority to Brennan based on Abbott's inequitable conduct. Abbott's position was that priority must be awarded to the first inventor and that enforceability due to inequitable conduct is a separate issue, not determinative of priority. The district court granted summary judgment of priority of invention to Abbott, and remanded to the Board with instructions to refer the matter to the Commissioner of Patents and trademarks "for the purpose of considering the allegations of inequitable conduct". On Brennan's motion the district court stayed trial of Brennan's remaining counterclaims pending the Commissioner's decision.

Upon remand the Board issued another decision awarding priority to Brennan due to Abbott's inequitable conduct, apparently ignoring the district court's contrary judgment. *Brennan v. Muetterties*, Interf. Nos. 100,817 and 101,078 (Bd. Pat. App. & Int. May 27, 1988). The Board explained that under "controlling law" the Board was "precluded from awarding priority against both parties."

Id. at 4. The Board then referred the case to the Commissioner as the district court had ordered; the Commissioner deferred review on his part until after judicial review of the Board's award of priority to Brennan. Upon return of the case to the district court, the parties filed cross motions for summary judgment on the issue of priority of invention. After a hearing, now before a different judge, the district court granted Brennan's motion and denied Abbott's; that is, the court awarded priority to Brennan because of Abbott's inequitable conduct. The prior judgment in favor of Abbott was vacated and judgment was entered in favor of Brennan. Abbott has not appealed this decision, and we do not consider its merits, or the correctness of the Board's view of the law.

Brennan then moved for sanctions against Abbott under Fed. R. Civ. P. 11, requesting award of costs and attorneys fees incurred in defending the § 146 action in the district court. Abbott cross-moved for sanctions, stating that Brennan's counterclaims were not well-grounded in fact or law, and that Brennan's Rule 11 motion was frivolous. Both sides' motions were denied.

Trial was held to a jury on Brennan's counterclaims for tortious interference with economic relations and tortious abuse of process during the prosecution of the interference proceeding before the PTO. The jury returned a verdict in favor of Abbott on the tortious interference claim, and for Brennan on the abuse of process claim. The jury awarded Brennan Damages of $1,350,000 for abuse of process, designated as $1,070,000 for emotional injuries, $250,000 for attorney fees, and $30,000 for out-of-pocket costs; all for the interference proceeding. The district court denied both sides' requests

for judgment n.o.v. and a new trial, and denied renewed requests for Rule 11 sanctions. The court granted Abbott's motion to clarify the judgment, to the extent that prejudgment interest was disallowed for the period during which the § 146 action was stayed because of the referral to the PTO, and for two shorter periods of stay. The court denied Abbott's motion for remittitur of the award of emotional damages, but remitted the award of attorney fees to $89,439.75 and costs to $11,951.38, the actual sums incurred.

Brennan appeals the denial of his motions for sanctions under Rule 11 and for a new trial on his counterclaim of tortious interference with economic relations. Brennan also appeals the dismissal of his antitrust counterclaim and the grant of Abbott's motion that affected the amount of prejudgment interest. Abbott cross-appeals the denial of its motion for judgment n.o.v. or a new trial on the issue of abuse of process, and the partial denial of its alternative motion for remittitur.

Jurisdiction

Upon Abbott's omission of appeal of the issue of priority of invention, the remaining issues are either matters of state law based on pendent jurisdiction, or issues of federal law that are not within the exclusive assignment of the Federal Circuit, but that were properly included at trial of the case. See Fed.R.Civ. P. 13,(a); see generally 3 *Moore's Federal Practice*, ¶ 13.13 (2d ed. 1983). No issues arising under the patent law remain, and none is referred to in the notice of appeal. We thus have reviewed *sua sponte* our jurisdiction over this appeal.

Abbott's civil action was brought under 35 U.S.C. § 146. The district court's jurisdiction arose in part under Title 35, the codification of the patent law, and thus satisfies the requirement of:

> **28 U.S.C. § 1338(a).** The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . .

All appeals in such circumstances are assigned exclusively to the Federal Circuit:

> **28 U.S.C. § 1295(a)(1).** The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction –
>
> (1) Of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title. . . .

The path of appeals is determined by the basis of jurisdiction in the district court, and is not controlled by the district court's decision or the substance of the issues that are appealed. The reasons are pragmatic: to avoid creating fresh opportunities for forum shopping; to avoid bifurcation of issues and cases at trial and on appeal; to remove uncertainty and the abuses of procedural maneuvering; and, ultimately, to facilitate resolution of disputes.

Thus, the direction of appeal to the Federal Circuit does not change during or after trial, even when the only issues remaining are not within our exclusive assignment. *See, e.g., Technicon Instruments Corp. v. Alpkem Corp.*, 866 F.2d 417, 419-20, 9 USPQ2d 1540, 1541-42 (Fed. Cir. 1989) (antitrust counterclaim sole issue on appeal); *Atari, Inc. v.*

JS & A Group, Inc., 747 F.2d 1422, 1427, 223 USPQ 1074, 1077 (Fed. Cir. 1984) (*en banc*) (copyright issue appealed separately). *See generally Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*, 895 F.2d 736, 741-45, 13 USPQ2d 1670, 1675-77 (Fed. Cir. 1990) (*en banc*) (discussing the well-pleaded complaint rule in the context of Federal Circuit jurisdiction). Appellate jurisdiction is not with the Federal Circuit when no well-pleaded claim arising under the patent law is stated in the pleadings before the district court, *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 807-10, 7 USPQ2D 1109, 1113-14 (1988), or which the patent claim is merely "transient," *Schwarzkopf Development Corp. v. Ti-Coating, Inc.*, 800 F.2d 240, 245, 231 USPQ 47, 51 (Fed. Cir. 1986) (patent counterclaim dismissed without opposition during pleading stage). *Accord, Unique Concepts, Inc. v. Manuel*, 930 F.2d 573, 575, 18 USPQ2d 1654, 1656 (7th Cir. 1991) (jurisdiction of district court to enter judgment dismissing patent claim "came, in part, from (a well-pleaded complaint under) § 1338").

The path of this appeal was established with the filing of the civil action to obtain a patent in accordance with 35 U.S.C. § 146 and, although the § 146 issue was not appealed, this appeal of the other issues was correctly taken to the Federal Circuit.

I

BRENNAN'S APPEAL

A

Rule 11 Sanctions

Mr. Brennan argues that the district court erroneously denied his request for sanctions under Fed. R.

Civ. P. 11 based on Abbott's filing of the civil action under 35 U.S.C. § 146, which Brennan states was for the purpose of harassment, to delay Brennan's receiving his patent after the award of priority by the PTO, and to increase his costs.

A district court's Rule 11 determination is reviewed on the standard of abuse of the trial court's discretionary authority. *Cooter & Gell v. Hartmarx Corp.*, 110 S. Ct. 2447, 2460 (1990). In matters of sanctions particular deference is owed the trial court's discretion; for the trial judge has viewed the matter at first hand, has considered all the circumstances, and made assessments of credibility and other intangibles that escape the written record. *See Id.*, 110 S. Ct. at 2460-61.

In this case the district court's denial of sanctions is well supported. The patent law authorizes any party to a patent interference to take civil action in the district court. 35 U.S.C. § 146. Such action is taken as of right. The vagaries of litigation inevitably delay final resolution of disputes. However, Congress has preserved this right of recourse to the courts from a decision of the PTO: a statutory right available at least since 1836. Act of July 4, 1836, § 16, 5 Stat. 117, 123-24. Absent improper purpose, a litigant's exercise of a statutory right of action can not be, of itself, a sanctionable offense. *See Cooter & Gell*, 110 S. Ct. at 2462 (discussing policy of not discouraging meritorious appeals).

Brennan argues that Abbott's position on the issue of priority under 35 U.S.C. § 146 was so obviously devoid of merit as to warrant sanctions. However, the district judge to whom the case was first assigned granted Abbott's

motion for summary judgment based on Abbott's position that inequitable conduct by counsel can not direct the decision of priority of invention. Although this question is not before us for review, this is not an area in which the law is so clear that Abbott's challenge in district court was "unreasonable under the circumstances." *Century Products, Inc. v. Sutter*, 837 F.2d 247, 253 (6th Cir. 1988); *see also Davis v. Crush*, 862 F.2d 84, 88 (6th Cir. 1988) (the challenged pleading must be tested as of the time the pleading was filed, not with "the wisdom of hindsight").[3]

The district court's denial of Brennan's request for Rule 11 sanctions is affirmed.

B

Tortious Interference with Economic Relations

The jury decided the issue of tortious interference with economic relations in favor of Abbott. Brennan argues that the district court abused its discretion in denying his motion for a new trial on this issue. Brennan states that the district court committed several errors at trial: in allowing Abbott to present the rebuttal testimony of three experts on medical devices, when Abbott did not disclose their identity until the day before trial; in precluding Brennan's expert, Dr. Coffey, from giving testimony on lost royalties; in excluding evidence of Abbott's

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[3] We apply Sixth Circuit law on review of the district court's rulings on Rule 11 and other matters not within the Federal Circuit's exclusive purview. *See Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d at 1438-40, 223 USPQ at 1086-87.

marketing projections for its allegedly competing product; and in instructing the jury that it was required to determine whether "but for" Abbott's conduct Brennan would not have suffered harm, instead of instructing the jury that it need only determine whether Abbott's conduct was a "substantial factor" in causing harm to Brennan. We consider these issues *seriatim*.

1. The Rebuttal Witnesses

The Sixth Circuit practice is that "no error in the admission or exclusion of evidence is ground for reversal or granting a new trial unless refusal to take such action appears to the court to be inconsistent with substantial justice." *TCP Industries, Inc. v. Uniroyal, Inc.*, 661 F.2d 542, 549 (6th Cir. 1981). The Federal Circuit has expressed a similar view. *Devices for Medicine, Inc. v. Boehl*, 822 F.2d 1062, 1066, 3 USPQ2d 1288, 1292 (Fed. Cir. 1987) (a trial need be fair, but it need not be perfect). It is improper on appeal to disturb a district court's trial management, absent a clear abuse of judicial discretion. *Benedict v. United States*, 822 F.2d 1426, 1428 (6th Cir. 1987).

The three medical witnesses, Melissa Kraus, Edward Hayman, and Larry Shoup, were called by Abbott in rebuttal to testimony by Brennan's witnesses Anna Dugan and Leon Pedell relating to the medical efficacy of the invention that was the subject of the patent interference. Abbott first revealed its intention to call these witnesses the day before trial. Brennan objected to the admission of their testimony, claiming unfair surprise. Abbott stated that the late identification of these witnesses was the result of its having been surprised to learn

that Dugan and Pedell would testify on the issue of medical efficacy.

Brennan has not shown that he was prejudiced by the admission of this rebuttal testimony, or that there were unfair trial tactics or procedures, or that it was inappropriate in rebuttal. The trial court did not abuse its discretion in allowing the testimony of these witnesses under the circumstances that prevailed.

2. Expert Testimony on Royalties

Brennan's position was that he would have obtained a patent and earned royalties on the invention at issue, were it not for the delay caused by Abbott's maintenance of the interference proceeding. The district court ruled that Dr. Coffey could not testify as an expert on the issue of royalties. Dr. Coffey had stated that he was not an expert on patent royalties, and that he had no prior experience of analyzing the market for a medical device, or any other product. The court could well have concluded that Dr. Coffey's testimony on this issue was not of expert dimension. *See Mannino v. International Manufacturing Co.*, 650 F.2d 846, 851 (6th Cir. 1981) ("Under the Federal Rules of Evidence, the only thing a court should be concerned with in determining the qualifications of an expert is whether the expert's knowledge of the subject matter is such that his opinion will likely assist the trier of fact in arriving at the truth.")

The trial judge has broad discretion in determining whether to admit expert testimony on any subject. Its ruling may not be disturbed absent clear error. *Lee Shops, Inc. v. Schatten-Cypress Co.*, 350 F.2d 12, 17, (6th Cir. 1965),

cert. denied, 382 U.S. 980 (1966). We discern no abuse of discretion in this refusal to allow Dr. Coffey to testify as an expert on the royalties Brennan would have earned.

3. Abbott's Sales Projections

Brennan states that the district court erred in excluding evidence relating to Abbott's sales projections for an intravenous delivery device that Abbott was developing at the time of the patent interference. Brennan sought this evidence to establish Abbott's motive for tortiously interfering with Brennan's business expectations. Abbott argued that this device was one of several being considered by Abbott, and that the profit projections were not realized, and were speculative. The district court ruled that this evidence was not relevant because, *inter alia*, the documents did not show that the Abbott and Brennan proposed devices were similar. The court also expressed concern that allowing this evidence would create the risk of relitigating priority of invention, which issue had already been decided.

When balancing probative value against possible prejudice, the trial court has broad discretion. *See* Fed. R. Evid. 403; *Finch v. Monumental Life Ins.Co.*, 820 F.2d 1426, 1432 (6th Cir. 1987). A trial court's admission or exclusion of evidence on grounds of relevance is reviewed for abuse of discretion. *Clarksville-Montgomery County School System v. United States Gypsum Co.*, 925 F.2d 993, 999 (6th Cir. 1991). Excluded evidence is viewed in the light most favorable to its proponent, giving the "evidence its maximum reasonable probative force and its minimum reasonable prejudicial value." *Laney v. Celotex Corp.*, 901 F.2d

1319, 1320 (6th Cir. 1990) (quoting 1 J. Weinstein & M. Berger, *Weinstein's Evidence* § 403[03] (1982)). The reviewing court, in order to reverse such a decision made at trial, must be firmly convinced that a prejudicial mistake was made. *Schrand v. Federal Pacific Electric Co.*, 851 F.2d 152, 157 (6th Cir. 1988). We do not have that conviction. The trial court's ruling will not be disturbed.

4. Jury Instructions on Tortious Interference

Brennan asserts that the district court erroneously and inconsistently instructed the jury as to the proper standard of causation of damages from the tort of interference with economic relations. The court told the jury:

> Before Mr. Brennan can prevail on either claim, he must prove by a preponderance of the evidence any damages sustained were proximately caused by the Defendants' actions.
>
> Proximate cause is an act which, in the natural and continuous sequence, directly produces the harm without which the harm would not have occurred.
>
> * * *
>
> When more than one act or factor may be the cause of the harm, it is necessary to determine whether, but for the Defendants' acts, Plaintiff would not have suffered any harm.
>
> * * *
>
> If the Defendants' conduct was not a substantial factor in causing a third party not to enter into a relationship or continue a relationship with Mr. Brennan, the Defendants cannot be found responsible for Mr. Brennan's failure to

> enter into a relationship or continue a relationship.
>
> The conduct of the Defendants was not a substantial factor in causing the Plaintiff's loss if reasonable men and women would not regard it as a cause of loss.

Mr. Brennan argues that the "but for" instruction (in the third quoted paragraph) is inconsistent with the "substantial factor" instruction (in the fifth paragraph), which Brennan asserts is the correct standard. This inconsistency, Brennan states, is reversible error requiring a new trial. Brennan had raised this objection to the district court, and thus the issue is properly before us. Fed. R. Civ. P. 51.

In reviewing the jury charge for correctness and adequacy, the jury instructions are viewed as a whole. *Howard v. Chesapeake and Ohio Ry. Co.*, 812 F.2d 282, 287 (6th Cir.), *cert. denied*, 484 U.S. 820 (1987). "Each instruction must be considered in connection with others of the series referring to the same subject." *Clarksville-Montgomery County School System*, 925 F.2d at 1003.

> Generally, a charge that contains an inaccurate or ambiguous statement does not constitute reversible error if the inaccuracy or ambiguity is unlikely to mislead the jury. In considering whether an isolated clause in the jury instructions is likely to have misled the jury, a reviewing court must consider the entire charge. Thus, the critical inquiry is whether the instructions as a whole provide the jury with sufficient guidance concerning the issues to be tried.

Teal v. E.I. du Pont de Nemours & Co., 728 F.2d 799, 802 (6th Cir. 1984) (citations omitted).

Commentators have explained that the "but for" and "substantial factor" standards of causation generally yield identical results:

> Except in the classes of cases indicated [not here relevant], no case has been found where the defendant's act could be called a substantial factor when the event would have occurred without it; nor will cases very often arise where it would not be such a factor when it was so indispensable a cause that without it the result would not have followed.

Prosser & Keeton, *Torts*, at p. 268 (5th ed. 1984) (footnotes omitted); *see generally Restatement (2d) of Torts*, § 431, comment a (1965) (explaining the distinction between substantial cause in the legal sense and cause in the "philosophic" sense). Michigan courts have treated the substantial factor test as the more rigorous:

> Causation in fact includes *more* than a simple "but for" relationship between the negligent act and the damage. The negligence must also be a "substantial factor" in producing the injury.

Derbeck v. Ward, 178 Mich. App. 38, 443 N.W.2d 812, 814 (1989) (discussing causation in fact as an element of proximate cause).

Applying this guidance, and viewing the instructions in context and in their entirety, *Clarksville-Montgomery, supra*, we conclude that the trial court did not mislead the jury on the factors to be considered and the law to be applied, and that Mr. Brennan was not prejudiced by the

jury instructions. The court did not abuse its discretion in denying Brennan's motion for a new trial on this ground.

C

The Antitrust Counterclaim

Mr. Brennan argues that the district court erred in dismissing his counterclaim for violation of the Clayton and Sherman Acts. *Inter alia*, Brennan had alleged that Abbott, by continuing to prosecute the interference and by filing the § 146 action after having engaged in inequitable conduct, was attempting to monopolize commerce in the subject matter of the contested invention.[4]

In determining whether to dismiss a claim pursuant to Fed. R. Civ. P. 12(b) (6), the district court accepts as true all of the factual allegations of the complaint. Appellate review is on the same basis. *Kerasotes Michigan Theatres, Inc. v. National Amusements, Inc.*, 854 F.2d 135, 136 (6th Cir. 1988), *cert. dismissed*, 490 U.S. 1087 (1989). Dismissal under Rule 12(b) (6) is appropriate "if it is clear that no relief could be granted under any set of facts that

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[4] Section 2 of the Sherman Act, 15 U.S.C. § 2, prohibits monopolization or attempts to monopolize:

> Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony. . . .

Section 4(a) of the Clayton Act, 15 U.S.C. § 15(a), provides for civil action for treble damages for violation of the antitrust laws.

could be proved consistent with the allegations." *Lamb v. Phillip Morris, Inc.*, 915 F.2d 1024, 1025 (6th Cir. 1990), *cert. denied*, 111 S. Ct. 961 (1991) (quoting *Hishon v. King & Spalding*, 467 U.S. 69, 73 (1984)).

In an antitrust action "the complaint need only allege sufficient facts from which the court can discern the elements of an injury resulting from an act forbidden by the antitrust laws." *Kerasotes Michigan Theatres*, 854 F.2d at 136 (quoting *Newman v. Universal Pictures*, 813 F.2d 1519, 1522 (9th Cir. 1987), *cert. denied*, 486 U.S. 1059 (1988)). The elements of a claim for attempted monopolization, as elaborated by the Sixth Circuit, are: (1) a specific intent to monopolize; (2) anti-competitive conduct; and (3) a dangerous probability of success. *Arthur S. Langenderfer, Inc. v. S.E. Johnson Co.*, 917 F.2d 1413, 1431 (6th Cir. 1990), *cert. denied*, 112 S. Ct. 51, 112 S. Ct. 247 (1991); *White & White, Inc. v. American Hosp. Supply Corp.*, 723 F.2d 495, 506-07 (6th Cir. 1983) (citing *Lorain Journal Co. v. United States*, 342 U.S. 143, 153 (1951)).

Brennan asserts that the allegations of his antitrust claim state a cause of action in accordance with *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, 382 U.S. 172, 147 USPQ 404 (1965). In *Walker Process* the Court held that maintenance and enforcement of a patent procured by knowing and willful fraud may meet the intent and conduct elements of violation of the Sherman Act, provided that the ability to lessen or destroy competition, including market power in the relevant market, can also be shown. 382 U.S. at 173, 177-78, 147 USPQ at 405, 407. Brennan asserts that market power is presumed from the presence of a patent.

A patent does not of itself establish a presumption of market power in the antitrust sense. *Walker Process*, 382 U.S. at 178, 147 USPQ at 407 (considering, inter alia, whether there are non-infringing substitutes for the patented device); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1367, 220 USPQ 763, 776 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984) ("patent rights are not legal monopolies in the antitrust sense of that word"). The commercial advantage gained by new technology and its statutory protection by patent do not convert the possessor thereof into a prohibited monopolist. *See generally United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966) (distinguishing the willful acquisition or maintenance of monopoly power from "growth or development as a consequence of superior product, business acumen, or historic accident.") The patent right must be "coupled with violations of § 2", and the elements of violation of § 2 must be met. *Walker Process*, 382 U.S. at 177-78, 147 USPQ at 407; *see Hartford-Empire Co. v. United States*, 323 U.S. 386, 406, 64 USPQ 18, 28 (1945) (discussing differences between "legitimate use and prohibited abuse" of patent rights).

Determination of whether the patentee meets the Sherman Act elements of monopolization or attempt to monopolize is governed by the rules of application of the antitrust laws to market participants, with due consideration to the exclusivity that inheres in the patent grant. *See Loctite Corp. v. Ultraseal, Ltd.*, 781 F.2d 861, 876-77, 228 USPQ 90, 100-01 (Fed. Cir. 1985) (discussing relationship between the patent and the antitrust laws). In *Jefferson Parish Hospital District No. 2. v. Hyde*, 466 U.S. 1, 37 n.7 (1984), Justice O'Connor wrote in concurrence:

> A common misconception has been that a patent or copyright, a high market share, or a unique product that competitors are not able to offer suffices to demonstrate market power. While each of these three factors might help to give market power to a seller, it is also possible that a seller in those situations will have no market power: for example, a patent holder has no market power in any relevant sense if there are close substitutes for the patented product.

See generally W. Montgomery, *The Presumption of Economic Power for Patented and Copyrighted Products in Tying Arrangements*, 85 Colum. L. Rev. 1140, 1150-51 (1985) ("the existence of a patent or a copyright provides little, if any, evidence of supernormal profits, barriers to entry, consumer preferences, or absence of adequate substitutes. It thus does not dispose of the question whether a product has market power"). Analysis under the rule of reason takes into consideration the policy underlying the patent grant and the national interest served; for the public purpose of the patent grant as an incentive to inventions, investment, and disclosure, is achieved solely by the statutory right to exclude. *See generally* W. Bowman, *Patent and Antitrust Law* 1-14 (1973).

The Sixth Circuit has rejected "any absolute presumption of market power for copyright or patented product". *A.I. Root Co. v. Computer/Dynamics, Inc.*, 806 F.2d 673, 676 (6th Cir. 1986) (discussing precedent in light of policy, economics, and the realities of the marketplace). Absent a presumption of market power, Brennan alleged insufficient facts to satisfy the elements of an antitrust violation. *Lamb*, 915 F.2d at 1025 (requiring allegations of facts). Allegations of legal conclusions are insufficient to

withstand a motion to dismiss. *Chapman v. City of Detroit*, 808 F.2d 459, 465 (6th Cir. 1986).

The district court correctly held that Brennan failed to state a cause of action under the Sherman Act. The dismissal of Brennan's antitrust counterclaims is affirmed.

II

ABBOTT'S CROSS-APPEAL

Abbot appeals the judgment entered upon the jury finding of abuse of process, including the damages awarded for emotional distress.

Abbott argues that Brennan's counterclaim for abuse of process should have been dismissed as a matter of law, because no judicial process was involved in the interference proceedings before the United States Patent and Trademark Office, and because PTO proceedings are not subject to collateral attack under state law. The district court had denied Abbott's motion for dismissal, ruling that the premises of the tort of abuse of process under Michigan law had been met. We review *de novo* the correctness of the district court's determination of state law. *Salve Regina College v. Russell*, 111 S. Ct. 1217, 1221 (1991).

We need not decide the broad question of whether actions in connection with federal administrative proceedings can ever provide the "process" for a common law claim of abuse of process. Before us is the narrow question of whether the state tort action for abuse of process can be invoked as a remedy for inequitable or

other unsavory conduct of parties to proceedings in the Patent and Trademark Office. We conclude that it can not.

The patent grant is within the exclusive purview of federal law. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 n.7, 140 USPQ 524, 527 n.7 (1964). Although certain traditional state law concerns may properly be raised when patent rights are litigated, *see Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 154-56, 9 USPQ2d 1847, 1853-54 (1989) (such concerns including, *inter alia*, deceptive simulations of trade dress, trade secret protection, and misappropriation of proprietary information), the issue at bar relates directly to administrative proceedings before the PTO Board of Patent Appeals and Interferences.

Prior judicial consideration of this question is sparse. In *Baker Driveaway Co., Inc. v. Bankhead Enterprises, Inc.*, 478 F. Supp. 857, 207 USPQ 365 (E.D. Mich. 1979), the district court held that the filing of a protest against a patent application in the PTO did not support a state action for abuse of process. The court observed that the actions complained of occurred before a federal agency, and remarked that "the freedom of the public to petition the government . . . will not be curtailed without some extraordinary showing of abuse", *id.* at 859, 207 USPQ at 367, citing *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972); *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); and *United Mine Workers v. Pennington*, 381 U.S. 657 (1965). This reasoning supports the conclusion that an asserted abuse of process before the Patent and Trademark Office is not remediable by state action in tort, at least unless it is shown that the entire federal agency action was a

"sham", the word of *Noerr*, 365 U.S. at 144. Such a showing, or assertion, was not here made. Although Brennan complains of the delay he experienced in receiving a patent after Abbott's false affidavit of mailing, we take notice that delay is ubiquitous in PTO proceedings, and does not of itself support an action for abuse of process.

The court in *Baker Driveaway* observed that the plaintiffs were not challenging the way the proceeding before the PTO was handled, but instead were challenging the motives for its institution. This observation provided another reason for the court's dismissal of the count, for under Michigan law the tort of abuse of process requires that "one must be challenging the way that some proceeding is handled rather than the motives for its institution." *Id.* at 860, 207 USPQ at 367, citing *Rowbotham v. D.A.I.I.E.*, 69 Mich App. 142, 244 N.W.2d 389 (1976). While Brennan states that his challenge is indeed to the way Abbott handled the interference proceeding before the PTO, and not to Abbott's motives, that is contrary to his presentation.

The *Baker Driveaway* court also discussed the policy of allowing the administrative agency to decide matters properly before it, and declined to create a new system of judicial overview of actions before the PTO. This reasoning accords with that expressed in *Gilbert v. Ben-Asher*, 900 F.2d 1407 (9th Cir. 1990), *cert. denied*, 111 S.Ct. 177 (1990), wherein the Ninth Circuit affirmed the dismissal of an abuse of process claim in which the plaintiff challenged a ruling of the state Board of Medical Examiners revoking his medical license. The court in *Gilbert* observed that the administrative ruling was subject to judicial review, that no such appeal had been taken, and

thus that the issue on which the abuse of process claim was grounded had "already been litigated and decided". *Id.* at 1411. Although Brennan's claim before the administrative agency had been decided in his favor, and thus was not appealable by him, that is not grounds for providing another forum for litigating issues arising from the administrative process.

The only authorities cited by Brennan in support of this action do not relate to analogous administrative proceedings. E.g., *Friedman v. Dozorc*, 412 Mich. 1, 312 N.W.2d 585 (1981); *Meehan v. Michigan Bell Telephone Co.*, 174 Mich. App. 538, 436 N.W.2d 711, 726 (1989); *Vallance v. Brewbaker*, 161 Mich. App. 642, 411 N.W.2d 808, 810 (1987). We note, however, the holding in *Newmann v. Vidal*, 710 F.2d 856 (D.C. Cir. 1983), wherein the court refused to dismiss a claim for abuse of process in the PTO when the basis was an anticompetitive motive. We believe that the better general rule is that based on judicial disfavor of collateral attack, under the common law, on proceedings before the PTO.

We conclude that the federal administrative process of examining and issuing patents, including proceedings before the PTO's boards, is not subject to collateral review in terms of the common law tort of abuse of process. The PTO procedures themselves provided a remedy for Abbott's malfeasance.[5] An additional state action would be an inappropriate collateral intrusion on the regulatory procedures of the PTO, "under the guise of a complaint sounding in tort", in the words of *Gilbert v.*

---

[5] Brennan was awarded a patent although the PTO found that Brennan was not the first inventor of the subject matter.

Ben-Asher, 900 F.2d at 1411, and is contrary to Congress' preemptive regulation in the area of patent law. *Bonito Boats, supra.*

The judgment of abuse of process is reversed, as is the award of damages therefor.

Summary

On Mr. Brennan's appeal, the denial of sanctions under Rule 11, the dismissal of the antitrust counterclaims, and the denial of a new trial on the tortious interference counterclaim, are affirmed. On Abbott's cross-appeal, the judgment of abuse of process, and the award of damages therefor, is reversed. Other issues raised on this appeal, such as prejudgment interest, are mooted.

No costs.

AFFIRMED IN PART, REVERSED IN PART

APPENDIX B

United States Court of Appeals for the Federal Circuit

90-1268

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE,

Plaintiffs-Appellees,

v.

JOHN F. BRENNAN,

Defendant-Appellant.

ORDER

(Filed Jan. 27, 1992)

Before NEWMAN, Circuit Judge, MAYER, Circuit Judge, LOURIE, Circuit Judge.

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on February 3, 1992.

FOR THE COURT,

Dated: January 27, 1992 /s/ Francis X. Gindhart
Francis X. Gindhart
Clerk

cc: MICHELLE A. THOMAS
MICHAEL DOCKTERMAN

ABBOTT LAB V BRENNAN, 90-1268
(DCT – 86-70935)

****

Note: Pursuant to Fed. Cir. R. 47.8, this order is not citable as precedent. It is a public record.

****

APPENDIX C

United States Court of Appeals for the Federal Circuit

90-1268

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE,

Plaintiffs-Appellees,

v.

JOHN F. BRENNAN,

Defendant-Appellant.

ORDER

(Filed Feb. 6 1992)

A suggestion for rehearing in banc having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

FOR THE COURT,

/s/ Francis X. Gindhart
Francis X. Gindhart
Clerk

Dated: February 6, 1992

cc: MICHELLE A. THOMAS
MICHAEL DOCKTERMAN

ABBOTT LAB V BRENNAN, 90-1268
(DCT – 86-70935)

****

Note: Pursuant to Fed. Cir. R. 47.8, this order is not citable as precedent. It is a public record.

****

APPENDIX D

No. 90-1379

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

Abbott Laboratories; Plaintiff Counter Defendant-Appellant,	)	
Andrew J. Muetterties; Joseph N. Genese, Plaintiffs Counter Defendants	)	–
v.	)	ORDER
John F. Brennan, Defendant Counter Plaintiff-Appellee	)	(Filed Jun. 20, 1990)

BEFORE: MILBURN and NELSON, Circuit Judges; and LIVELY, Senior Circuit Judge.

This matter is before the court on a motion to dismiss which presents the question of whether jurisdiction in this appeal is properly with this Court or the Court of Appeals for the Federal Circuit.

The plaintiff/counter-defendant, Abbott Laboratories, has appealed judgment for the defendant/counter-plaintiff, John F. Brennan. Brennan appealed the same judgment and certain pretrial and post-judgment rulings to the Federal Circuit Court of Appeals. Brennan has moved for dismissal of this appeal on grounds that the Federal Circuit has exclusive jurisdiction pursuant to 28 U.S.C. § 1295(a). Abbott filed a response in opposition,

and Brennan replied. Subsequent to theses filings, the Federal Circuit issued an order denying Abbott's motion to dismiss Brennan's appeal in that Court. Brennan has filed a supplemental memorandum in support of his motion to dismiss with this Court, and Abbott has responded.

Upon review and consideration we conclude that this Court lacks jurisdiction in this appeal. Pursuant to 28 U.S.C. § 1295(a) the Federal Circuit has exclusive jurisdiction in an appeal from matters arising "in whole or in part" from 28 U.S.C. § 1338(a), or in an appeal from a district court decision in a case brought under 28 U.S.C. § 146. In this case the district court's jurisdiction was initially invoked by a complaint seeking review of a patent law claim. Accordingly, jurisdiction to hear the appeal is with the Federal Circuit. *Christianson v. Colt Industries*, 486 U.S. 800 (1988).

Although this Court lacks jurisdiction, when an appellate court "finds that there is a want of jurisdiction, the court shall, if it is in the interest of justice, transfer such action or appeal to any other court in which the action or appeal could have been brought at the time it was filed or noticed. . . . " 28 U.S.C. § 1631. Accordingly, this action shall not be dismissed, but shall be transferred to the Federal Circuit.

It is therefore ORDERED that this appeal is transferred to the Federal Circuit Court of Appeals. The defendant's request for costs and attorneys' fees is denied. The

Clerk shall take all appropriate steps to transfer this appeal to the Federal Circuit.

ENTERED BY ORDER OF THE COURT

/s/ Leonard Green, Jr
Clerk

APPENDIX E

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE, jointly and severally,

Plaintiffs,

v.

JOHN F. BRENNAN,

Defendant.

_____/

Civil Action
No. 86-70935
Hon. Bernard A. Friedman

ORDER

This matter having come before the court on Abbott's motion to clarify judgment, Brennan's motion for sanctions, Abbott's motion for sanctions, Brennan's motion for new trial, and Abbott's motion for judgment N.O.V., new trial and/or remittitur, a hearing having been held on February 22, 1990, counsel for all parties being present, the court otherwise being fully informed in the premises, for the reasons stated on the record,

IT IS HEREBY ORDERED that Abbott's motion to clarify judgment is granted to the following extent: prejudgment interest is not allowed on the jury award for attorney's fees or for costs, or on the damages awarded during periods when the case was stayed. Prejudgment interest shall be awarded on the damages, for the periods when the case was not stayed, at an annual rate of 12% pursuant to M.C.L. § 600.6013(4). Postjudgment interest is

allowed pursuant to 28 U.S.C. § 1961(a) at an annual rate of 7.66%.

IT IS FURTHER ORDERED that Brennan's motion for sanctions is denied.

IT IS FURTHER ORDERED that Abbott's motion for sanctions is denied.

IT IS FURTHER ORDERED that Brennan's motion for new trial is denied.

IT IS FURTHER ORDERED that Abbott's motion for judgment N.O.V., or for a new trial is denied.

IT IS FURTHER ORDERED that Abbott's motion for remittur is denied as to the award for emotional injuries, but granted as to the awards for costs and attorney fees. Costs are remitted to $11,951.38[1]; attorney fees are remitted to $89,439.75.

SO ORDERED.

/s/ Bernard A. Friedman
BERNARD A. FRIEDMAN
U.S. District Judge

Dated: FEB 26 1990

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[1] BAF as per phone 2/26/90 4:45 from BOTH – BAF

APPENDIX F

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

ABBOTT LABORATORIES, ANDREW J. MUETTERTIES and JOSEPH N. GENESE, jointly and severally,

Plaintiffs,

v.

JOHN F. BRENNAN,

Defendant.
_____/

Civil Action
No. 86-70935
Hon. Bernard A. Friedman

JUDGMENT ON JURY VERDICT

This action came on for trial before the court and a jury, and the claims having been duly tried and the jury having duly rendered its verdict,

IT IS HEREBY ORDERED that on the claim of interference with economic relations, the counter-plaintiff, John F. Brennan, take nothing, that this claim be dismissed on the merits, and that judgment be entered for the counter-defendants, Abbbott [sic] Laboratories, Andrew J. Muetterties and Joseph N. Genese.

IT IS FURTHER ORDERED that on the claim of abuse of process, the counter-plaintiff, John F. Brennan, take nothing as against the counter-defendants, Andrew J. Muetterties and Joseph N. Genese, and that this claim be dismissed on the merits as to them.

IT IS FURTHER ORDERED that on the claim of abuse of process, the counter-plaintiff, John F. Brennan, recover from the counter defendant, Abbott Laboratories, the sum of $250,000.00 for attorney fees, the sum of $1,070,000.00 for emotional injuries, and the sum of $30,000.00 for out-of-pocket costs, for a total award of $1,350,000.00, with interest thereon accruing until the date of satisfaction as permitted by law.

Assessment of costs, if sought by any party, shall be governed by Fed. R. Civ. P. 54.

/s/ Bernard A. Friedman
BERNARD A. FRIEDMAN
U. S. District Judge

Dated: DEC 21 1989

APPENDIX G

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

ABBOTT LABORATORIES,
ANDREW J. MUETTERTIES
and JOSEPH N. GENESE,

Plaintiffs and
Counter-Defendants

No. 86 CV 70935 DT
Judge George E. Woods

v.

JOHN F. BRENNAN,

Defendant and
Counter-Plaintiff,

_____/

ORDER

At a session of said Court, held
in the U.S. District Court
Detroit, Michigan

on: JUL 6 1987, 1987

PRESENT Hon. George E. Woods
George E. Woods

This Court being fully advised in the premises, having considered the motions for summary judgment filed by plaintiffs/counter-defendants Abbott Laboratories, Andrew J. Muetterties and Joseph N. Genese, pursuant to

Rule 56 of the Federal Rules of Civil Procedure, for the reasons stated in open court on July 2, 1987,

IT IS HEREBY ORDERED:

1. Plaintiffs' motion for summary judgment on its complaint pursuant to 35 U.S.C. § 146 is granted. The matter is remanded to the Patent and Trademark Office with directions to refer the matter to the Commissioner of Patents pursuant to Rule 259, 35 C.F.R. § 1.259, for the purpose of considering the allegations of inequitable conduct.

2. Counterdefendants' motion for summary judgment on the counter-complaint is denied.

Dated: JUL 6 1987

ENTER: /s/ George E. Woods
United States District Judge

APPENDIX H

Paper Nos. 160 and 102 JRRB/ljz

MAILED

MAY 27 1988

PAT & T.M. OFFICE
BOARD OF PATENT APPEALS
AND INTERFERENCES

In re Interference Nos. 100,817 and 101,078	:	
Brennan	:	On Remand
v.	:	
Muetterties (et al)	:	
v.	:	
Muetterties et al	:	

The Honorable Commissioner of Patents
and Trademarks

Sir:

These interferences have been remanded to "the Patent and Trademark Office with directions to refer the matter to the Commissioner of Patents pursuant to Rule 259, 35(sic, 37) C.F.R. 1.259, for the purpose of considering the allegations of inequitable conduct" from the United States District Court for the Eastern District of Michigan, Southern Division (No. 86 CV 70935 DT, *ORDER*, Paper No. 198). In Paper No. 236, entitled *MEMORANDUM OPINION AND ORDER DENYING DEFENDANT'S MOTION FOR REHEARING*, the Court, after denying Brennan's motion for a rehearing, stated "[t]he case is hereby remanded to the Board with directions that it make a rule 259 reference to the Commissioner." The

remand reached the Board on December 2, 1987 (Interference No. 100,817, Paper No. 158) but was only brought to the attention of this panel of the Board on May 16, 1988.

In addition to District Court Paper Nos. 198 and 236 referred to above, the following papers filed in the District Court action, and deemed pertinent to this matter by the parties, have been forwarded to the Patent and Trademark Office (PTO):

No. 154 *NOTICE OF HEARING; PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT; MEMORANDUM OF LAW IN SUPPORT ABBOTT LABORATORIES' MOTION FOR SUMMARY JUDGMENT*

No. 165 *DEFENDANT JOHN BRENNAN'S RESPONSE TO PLAINTIFFS' MEMORANDUM OF LAW IN SUPPORT OF ABBOT LABORATORIES' MOTION FOR SUMMARY JUDGMENT*

No. 175 *PLAINTIFFS' REPLY MEMORANDUM IN SUPPORT OF PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT*

No. 200 *MOTION FOR REHEARING*

No. 209 *EXHIBITS IN SUPPORT OF BRENNAN'S MOTION FOR REHEARING*

No. 221 *DEFENDANTS' RESPONSE TO BRENNAN'S MOTION FOR REHEARING*

No. 223 *SUPPLEMENTAL MEMORANDUM IN SUPPORT OF REHEARING*

No. 238 *TRANSCRIPT OF HEARING BEFORE THE HONORABLE GEORGE E. WOODS, UNITED STATES DISTRICT JUDGE JULY 2, 1987*

The above papers are attachments to Paper No. 100 in Interference No. 101,078.

Interference No. 100,817 was initially declared involving an application of Brennan and a patent to Muetterties et al. The Muetterties et al patent is assigned to Abbott Laboratories (Abbott). During the early stages of that interference, Brennan filed a *MOTION BY JUNIOR PARTY FOR AWARD OF PRIORITY IN VIEW OF FRAUD BY SENIOR PARTY AND BRIEF IN SUPPORT THEREOF* (Interference 100,817, Paper No. 24). The Commissioner in considering a petition filed by Muetterties et al from the Patent Interference Examiner's denial of a request for reconsideration of the Examiner's denial of a request for extension of time merely noted that since the petition had been filed a number of other papers had been filed among which was Brennan's above referred to motion. At the end of the decision the Commissioner noted that questions of fraud arising in an interference are ancillary to priority and are treated by the Board of Patent Interferences (Interference No. 100,817, Paper No. 42). The Brennan motion was considered by a panel of the Board of Patent Interferences and deferred to final hearing (Interference No. 101,817, Paper No. 43).

Thereafter, Muetterties et al filed a motion to add two reissue applications to the interference – one in the names of both original applicants and one in the name of Muetterties sole (Interference 101,817, Paper No. 48). The Primary Examiner granted the motion to add the Muetterties et al reissue application to the '817 interference and stated that a new Interference would be declared involving the Muetterties sole reissue application (Interference No. 101,817, Paper No. 54). Thus, Interference No. 101,078 was declared involving the same Brennan application, the same Muetterties et al patent and a reissue application of

Muetterties (sole). Like the patent, the reissue applications are assigned to Abbott.

A question ancillary to priority is defined "as a question which, if decided in favor of the party raising the question, would necessarily result in a judgment against his opponent." II Rivise and Caesar, *Interference Law and Practice*, Section 251, Page 1009 (Michie Co. 1943). In *Jenks v. Knight*, 90 F.2d 654, 33 USPQ 601 (CCPA 1937), where Jenks admitted he was not the first inventor, the Court stated at 33 USPQ 604:

> If there is any estoppel, it would operate in favor of Jenks and so far as this record shows, notwithstanding the admission of Jenks, if Knight was estopped from claiming the invention, Jenks might well be awarded priority. Under these circumstances, we hold that the question of estoppel presented is one ancillary to the question of priority and that we should review this part of the board's decision. For the reasons stated, the motion to dismiss is denied.

In *Norton v. Curtiss*, 433 F.2d 770, 167 USPQ 532 (CCPA 1970), the Court held that a party who is guilty of fraud on the PTO loses standing as a party to the interference and the "question is clearly one which is ancillary to priority." (167 USPQ 536). In *Langer v. Kaufman*, 465 F.2d 915, 175 USPQ 172 (CCPA 1972), the Court held the Board's refusal to rule on the charge of fraud on the basis that it lacked jurisdiction over the validity of the Kaufman patent was erroneous since the question was ancillary to priority. (175 USPQ 176).

In deciding the ancillary question of fraud raised by Brennan, the Board at final hearing awarded priority to

Brennan in both interferences on the ground that an attorney for Abbott had engaged in inequitable conduct during the course of the interference. That decision, if not appealed or if affirmed on appeal, would result in cancellation of the claims of the Muetterties et al patent corresponding to the counts by operation of law and would constitute a final refusal by the PTO of the claims in the reissue applications corresponding to the counts pursuant to 35 USC 135(a). Since that decision disposed of the interferences, there was no need to go further and consider the evidence related to inventive acts such as conception, reduction to practice and/or diligence performed by or on behalf of the parties. However, the Court in *Tofe v. Winchell*, 645 F.2d 58, 209 USPQ 379 (CCPA 1981) stated at 209 USPQ 384:

> As a final matter, we endorse the procedure by the board indicated by the report of the proceedings in Steierman v. Connelly, 192 USPQ 433 (Bd. Pat. Intf. 1975), modified, 192 USPQ 446 (Bd. Pat. Intf. 1976), in which the board made a decision on the ancillary issue of fraud and a decision on the issue of date priority *but for* the issue of fraud.[14] By following this practice, the board will enable this court to address all facets of the issue of priority, should this matter be appealed. (footnote omitted).

Accordingly, we considered the evidence submitted by the parties relative to their respective inventive acts and determined that Muetterties/Muetterties et al would have prevailed but for the issue of fraud or inequitable conduct. In view of the holding in *Sheffner v. Gallo*, 515 F.2d 1169, 185 USPQ 726 (CCPA 1975), we were precluded from awarding priority against both parties. See also

Morgan v. Hirsh, 728 F.2d 1449, 221 USPQ 193 (Fed. Cir. 1984).

In the District Court, Abbott moved for summary judgment stating that we had found that Abbott was entitled to priority but awarded priority to Brennan as a sanction against their attorney's inequitable conduct (No. 154, page 6). However, a reading of our decision clearly shows that we awarded priority to Brennan on the ancillary matter of inequitable conduct on the part of Abbott, and thus we did not have to reach the question of date priority. A number of cases where inequitable conduct has been held to be ancillary to priority, including *Norton, supra.*, and *Langer, supra.*, were cited by Brennan in his reply to the motion for summary judgment (No. 165, page 8). Abbott notes that the Board in *Lund v. Bentley*, 188 USPQ 9 (Bd.Pat.Int. 1974) referred the matter to the Commissioner under 37 CFR 1.259 (No. 154, page 7, footnote 5). In that case the Board awarded priority of invention to the senior party on the basis that the junior party had committed inequitable conduct during the interference. That holding by the Board constituted a final refusal by the PTO of the claims in the junior party's application corresponding to the counts pursuant to 35 USC 135(a). The recommendation to the Commissioner under Rule 259 was for consideration of the question of precluding the junior party from receiving a patent at all even as to subject matter not involved in the interference.

We note that the District Court apparently equated the Brennan motion for priority on the ground of fraud by Abbott, and a corresponding motion by Abbott, to be petitions to strike an application of the type referred to in the Commissioner's Notice of August 11, 1980 (No. 238,

page 12). However, there was nothing said in the Brennan motion about striking an application (Interference No. 100,817, Paper No. 241). The motion requested an award of priority on the ground of intentional fraud on the part of an Abbott attorney. On the subject of petitions, we note that in *Myers v. Feigelman*, 455 F.2d 596, 172 USPQ 580 (CCPA 1972) and in *Reddy v Dann. Comr. Pats.*, 188 USPQ 644 (CCPA 1976) the Court stated that the Commissioner's decision on petition is not binding on either the Board or the Court.

Abbot states, in effect, on page 8 of the motion for summary judgment that a party can practice an unlimited amount of fraud on the PTO during the course of an interference and the party will still prevail if it can show that it made the invention first because 35 USC 135(a) only gives the Board the authority to award priority to the first inventor. However, as pointed out above, the Board decides not only questions of priority but also questions ancillary to priority including fraud or inequitable conduct as was pointed out on page 7 of Brennan's reply (No 165) to the motion for summary judgment. In *Tofe, supra.*, the question of the best mode requirement of 35 USC 112, 1st paragraph, was added to the list of matters which have been held to be ancillary. In a concurring opinion, Chief Judge Markey stated at 209 USPQ 384-385:

> I concur in the view that the best mode issue must be held ancillary to priority. I do so solely on the basis of a perceived need for consistency in the law.
>
> Over the years, this court has continually expanded the list of issues it has considered

ancillary to priority, for example, (1) whether an application was altered after its execution. Vandenberg v. Reynolds, 44 CCPA 873, 877, 242 F.2d 761, 764, 113 USPQ 275, 277 (1957); (2) right to make a count, Stalego v. Heymes, 46 CCPA 772, 774, 263 F.2d 334, 335, 120 USPQ 473, 475 (1959); (3) fraud, Norton v. Curtiss, 57 CCPA 1384, 1389, 433 F.2d 779, 783, 167 USPQ 532, 536 (1970); (4) interference in fact, Nitz v. Ehrenreich, 537 C.2d 539, 543, 190 USPQ 413, 416 (CCPA, 1976); (5) best mode when claiming benefit under 35 USC 120, Weil v. Fritz, 572 F.2d 856, 866, 196 USPQ 600, 608 (CCPA 1978); (6) patentable distinctness, Hester v. Allgeier, ___ F.2d ___, ___, USPQ ___, (CCPA, 1981).

The considerations here set forth do not appear to have been argued to the court in its "ancillary to priority" cases.

Hindsight is always easy, but in retrospect it does not appear that the court could as well have held none of the listed issues ancillary to priority. It could have interpreted the statute, 35 USC 135, as meaning only what it says, that is, that "The question of priority of invention," and only that question, "shall be determined by a board of patent interferences." That holding would have kept interference practice simple, by maintaining a clear line of distinction between a naked determination of who was first to invent[1] and a determination of who, if anyone, was entitled to a patent.

In a very real sense, the court's "ancillary to priority" holdings have been directed to "who shall decide." Issues such as support for a count, interference in fact, and patentable distinctness, could have been viewed as required preliminary

decisions, that is, as ancillary not to priority but to the very existence of an interference. The decision on such issues could have been left to, or referred by the board back to, the examiner. Issues touching defects in an application, such as whether an application was belatedly altered, fraud in the application, and whether an applicant disclosed the best mode known to him at the time of filing, could have been viewed as governing the right to a patent and referred by the board to the Commissioner, or left for later decision by the examiner, who "will" consider such questions "after judgment on priority." Rule 259.[2]

Whether an application is defective is critical, not just ancillary, to the right to a patent. It may also be viewed as involved in the requirement that there by at least two application (or an application and a patent) available for interference, that is, as going to the jurisdiction of the board. Thus defects in an application may be ancillary to an interference. Only a very broad definition of the term "ancillary," however, can support the view that defects in an application related to, or are "ancillary" to the question of who was the first to make the invention.

Rule 259 appears, in somewhat ambiguous terms, to render numerous matters ancillary to priority and therefore decidable by the board of interferences. It says "The Board of Patent Interferences may * * * direct the attention of the Commissioner to any matter not relating to priority which may have come to their notice, and which in their [sic] opinion establishes the fact that no interference exists, or that there has been irregularity in declaring the same, or which

> amounts to a bar to the grant of a patent to either of the parties. * * * " If the board is to arrive at an "opinion" on the matters listed in Rule 259, it would seem that it must fully consider those matters. That the Rule describes such matters as not "relating" to priority would appear to indicate that such matters are not "ancillary" to priority. At the same time, however, the Rule's indication that the board "may" direct such matters to the Commissioner establishes that it need not do so. Coupled with the Rule's reference to the board's reaching an "opinion" that a matter "establishes the fact that" certain conditions are true, the board's discretion to refer or not refer would appear to include discretion to decide that matter.[3] (footnotes omitted)

In addition, this Board on occasion awards priority to the second inventor when the first inventor is deemed to have suppressed or concealed the invention, *Lutzker v. Plet*, ___ F.2d ___, 6 USPQ2d 1370 (Fed. Cir. 1988), or the first inventor is guilty of inequitable conduct, *Cebalo v. Driscoll*, 5 USPQ2d 1495 (Bd.Pat.App. & Int. 1984), and in cases where derivation is established, the Board awards priority even though only one party actually made the invention, *Davis v. Reddy*, 620 F.2d 885, 205 USPQ 1065 (CCPA 1980). Thus, when the Board "awards priority" it issues a judgment which finally disposes of the claims of the losing party corresponding to the counts.

In the above interferences we awarded priority to Brennan which thereby disposed of the claims of Muetterties/Muetterties et al corresponding to the counts; however, in view of the directions of the United States

District Court for the Eastern District of Michigan, Southern Division (No. 198 and 236), we feel constrained to refer the matter to the Commissioner. A copy of our decision at final hearing (Interference No. 100,817, Paper No. 146) is attached hereto.

/s/ Donald D. Forrer Donald D. Forrer Examiner-in-Chief	)	BOARD OF PATENT APPEALS AND INTERFERENCES
/s/ Stanley M. Urynowicz, Jr. Stanley M. Urynowicz, Jr. Examiner-in-Chief	)	
/s/ James R. Boler James R. Boler Examiner-in-Chief	)	

APPENDIX I

UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE COMMISSIONER OF PATENTS AND TRADEMARKS

In re Muetterties et al. Serial No. 06/397,791 Filed: July 16, 1982 For: Reissue of Patent No. 4,256,104 In re Muetterties Serial No. 06/397,792 Filed: July 16, 1982 For: Reissue of Patent No. 4,256,104	DECISION DEFERRING CONSIDERATION OF BOARD'S REFERRAL UNDER RULE 259 (Mailed Jul. 28, 1988)

A. Introduction

The above-identified applications, along with Muetterties et al. U.S. Patent No. 4,256,104 (hereinafter "the Muetterties patent") and Brennan patent application Serial No. 06/058,725 ("the Brennan application"), were involved in consolidated Interferences No. 100,817 and No. 101,078 (the " '817" and " '078" interferences).[1] During these interferences, Muetterties and Muetterties et al.

[1] These interference proceedings were conducted under the "old" interference rules, 37 C.F.R. §§ 1.201-1.288 (1984), which applied to all interferences declared prior to February 11, 1985, the effective date of the "new" interference rules, 37 C.F.R. §§ 1.601-1.688 (1985). 49 *Fed. Reg.* 48, 416 (Dec. 12, 1984).

were represented by their assignee, Abbott Laboratories ("Abbott"). In a decision dated January 8, 1986, the Board of Patent Appeals and Interferences ("Board") of the U.S. Patent and Trademark Office ("PTO") awarded priority to Brennan on the basis of inequitable conduct by an Abbott attorney during the early stages of the '817 interference, when it involved only the Muetterties patent and the Brennan application. Specifically, the Board awarded priority to Brennan as to all counts in both interferences because the Abbott attorney had engaged in inequitable conduct by (a) back-dating a certificate of mailing on a request for an extension of time for filing Abbott's preliminary statement so as to make it appear that it had been timely filed and (b) filing a false affidavit to the effect that the request had been timely served on Brennan. The Board further found that but for Abbott's inequitable conduct, Abbott would have been entitled to priority as to all counts in both interferences.

Abbott brought suit for review of the Board decision under 35 U.S.C. § 146 in *Abbott Laboratories v. John F. Brennan*, No. 86-CV-0935-DT (E.D. Mich., S. Div.) (hereinafter "the Michigan action"). In an order entered September 15, 1987, the Michigan court held that the Board did not have the authority to award priority to Brennan based on Abbott's conduct and remanded the interferences to the Board with instructions to make a recommendation to the Commissioner under 37 C.F.R. § 1.259 (1984)[2] regarding possible sanctions for Abbott's conduct.

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[2] § 1.259 (1984) Recommendation by Board of Patent Interferences.

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For the reasons set forth below, following a detailed discussion of the underlying facts, the Board had authority to award priority to Brennan based on the ancillary issue of Abbott's inequitable conduct. Thus, consideration of the above applications pursuant to the Board's referral under § 1.259 is being deferred until judicial review of the Board's decision in the interferences has been completed.

B. The Interference Proceedings in the PTO

On February 10, 1982, the '817 interference was declared involving the Brennan application, filed July 18, 1979, and the Muetterties patent, which issued March 17, 1981, on application Serial No. 06/016,461 (filed February 28, 1979).

The declaration of interference stated that the due date for preliminary statements was April 11, 1982. However, since the 11th fell on a Sunday, a statement filed as late as Monday, April 12, would have been timely.

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> The Board of Patent Interferences may, either before or concurrently with their decision on the question of priority, but independently of such decision, direct the attention of the Commissioner to any matter not relating to priority which may have come to their notice, and which in their opinion establishes the fact that no interference exists, or that there has been irregularity in declaring the same, or which amounts to a bar to the grant of a patent to either of the parties for the claim or claims in interference. . . .

On April 16, 1982, the PTO received a "Request for Extension of Time" from an attorney for Abbott, representing Muetterties et al. This request bore a certificate of mailing, signed by the attorney, indicating that the request was being deposited with the U.S. Postal Service on April 12, 1982. The stated reason for the requested extension was simply that the "attorney of record in the above-identified interference has been out of state for a period of two weeks." The request concluded with the statement that "[a] copy of this request is being sent to counsel for Brennen [sic]."

In a decision mailed April 22, 1982, a patent interference examiner denied the request on the ground that "[t]he motion fails to contain a detailed showing of facts to explain why the time which elapsed since the interference was declared was insufficient to permit the preparation and filing of [a] preliminary statement by the moving party and it fails to justify the entirety of the extension sought."

On April 23, 1982 (mail room date: April 21), the Board received from Brennan a "Brief in Support of Motion in Opposition to Request for Extension of Time," accompanied by supporting declarations and exhibits, wherein Brennan opposed the requested extension of time on several grounds. One of the grounds was that although the request for an extension of time bore a certificate of mailing date of April 12, 1982, "it may well have been either backdated or not deposited with the United States Postal Service on that date."

On April 26, 1982, the Board received a "MOTION BY MUETTERTIES, ET AL. FOR RECONSIDERATION OF

THE DECISION OF THE EXAMINER DENYING MUETTERTIES, ET AL. MOTION FOR EXTENSION OF TIME," accompanied by an affidavit by Abbott's attorney, in which the attorney explained that the principal reason for the request "was [his] extensive absence . . . from the offices of Abbott Laboratories during the period set for response, and, concurrently, extensive periods of absence of the inventors . . . from Abbott Laboratories during this same period." He also provided the dates and reasons for these absences. It was also alleged that the attorney "had an extensive calendar during the period set for response, which . . . made it more difficult to respond in a timely manner." citing in particular the negotiation and drafting of three licensing agreements during this period.

In a decision mailed May 21, 1982, the patent interference examiner again denied Abbott's request for additional time, citing three grounds: (1) the request did not include a certification of the manner in which Brennan had been served, as required by 37 C.F.R. § 1.247, (2) the request apparently was not deposited with the U.S. Postal Service on April 12, and (3) the showing by Abbott did not establish diligence by Muetterties et al. in attempting to file their preliminary statement.

On June 7, 1982, Brennan filed a "Motion by Junior Party for Award of Priority in View of Fraud by Senior Party and Brief in Support Thereof," based on the allegedly false certification of Muetterties' request for an extension of time. This was followed on July 27, 1982, by a "Motion by Muetterties et al. For Judgment and Award of Priority based on Fraud by Brennan," the alleged fraud consisting of the obliteration of a postage meter stamp on an exhibit.

On June 8, 1982, Abbott filed a petition to the Commissioner, in which it contended that the interference examiner's denial of its request for an extension was "an abuse of discretion under the facts." In a decision dated September 21, 1982, the petition was granted, holding that (1) it was improper for the interference examiner to object to the form of the certificate of service in his decision on reconsideration when he did not raise this issue in his initial decision, (2) the interference examiner should not have accepted Brennan's arguments concerning falsification of the certificate of mailing without further investigation, and (3) the showing submitted with Abbott's motion for reconsideration should have been accepted as sufficient under 37 C.F.R. § 1.246.[3]

Regarding the motions of both parties for an award of priority based on alleged fraud by the other party, the decision stated:

> As indicated in the Commissioner's Notice of August 11, 1980, 998 O.G. 8,[4] questions of fraud

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[3] § 1.246 (1984) Late papers.

> A motion or other paper belatedly filed will not normally be considered except upon a showing, under oath or in the form of a declaration (§ 1.68), of sufficient cause as to why such motion or paper was not timely presented. . . .

[4] Petitions in Interference Cases to Strike Applications for Alleged Violations of 37 C.F.R. § 1.56

Not infrequently a party in an interference will file a petition requesting the Commissioner to enter

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arising in an interference are ancillary to priority and are treated by the Board of Patent Interferences.

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an order under 37 C.F.R. § 1.56(d) striking from the files a patent application involved in an interference. The issues raised by such a petition have been determined to be ancillary to priority within the meaning of 37 C.F.R. § 1.258(a). See e.g., *Norton v. Curtiss*, 57 CCPA 1384, 433 F.2d 779, 167 USPQ 532 (1970); *Langer v. Kaufman*, 59 CCPA 1261, 465 F.2d 915, 175 USPQ 172 (1972). Hence, the issues may be considered by the Board of Patent Interferences at final hearing if properly and timely presented.

The normal disposition of a petition to strike an application involved in an interference is to dismiss the petition, without prejudice to renewal following termination of the interference. Such a disposition allows the parties to develop the issues before the Board of Patent Interferences. If the party filing the petition ultimately prevails in the interference, further action on the petition may be unnecessary. Should action on the petition be necessary, the Commissioner has the benefit of the view of the Board of Patent Interferences on the issues.

Under present practice, the Board of Patent Interferences generally will hold a petition to strike an application involved in an interference until the time for opposition has expired. The file is then forwarded to the Commissioner, where the petition is normally disposed of as indicated in the preceding paragraph. This practice is time consuming and needlessly delays the interference.

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Accordingly, the interference is remanded to the Board for appropriate action concerning these motions.

. . . .

Subsequent to this decision, on July 16, 1982, Abbott filed the '791 and '792 reissue applications and moved to add them to the '817 interference. The '791 reissue application was added to the '817 interference and a second interference, i.e., the '078 interference, was declared involving the '792 reissue application, the Muetterties patent and the Brennan application.

In addressing the matter of the conduct by Abbott's attorney in its decision on priority, dated January 8, 1986, the Board said it considered his testimony "to the effect that he prepared and placed the Request in the Abbott mailing system on April 12, 1982 to be incredible" and

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In order to prevent such delays, in the future the Patent Interference Examiner is authorized to enter an order dismissing a petition to strike an application involved in an interference, without prejudice to renewal of the petition after termination of the interference. The petition should be dismissed immediately upon receipt, without suspension of the interference.

Petitions to strike an application not involved in an interference will continue to be handled in the Office of the Assistant Commissioner for Patents in the manner previously announced.

Dated: Aug. 11, 1980.

SIDNEY A. DIAMOND,
Commissioner of Patents
and Trademarks

found that he "prepared the Request (BX 2) no earlier than April 13, 1982 and back-dated the Certificate of Mailing to April 12, 1982 and falsely stated in his affidavit (BX 11) that the Request had been mailed in a 'timely manner.' " After holding that either the back-dating or the false affidavit would be sufficient to constitute inequitable conduct, the Board concluded that "neither Muetterties nor Muetterties et al. can be awarded priority in these interferences."

The board also found that the evidence failed to establish any inequitable conduct by Brennan.

After awarding priority to Brennan based on fraud by Abbott's attorney, the Board, although not required to do so, went on to address the question of who would have been entitled to priority in the absence of the inequitable conduct by Abbott's attorney. The Board found that "Muetterties would, on the basis of inventive acts alone, [have been] entitled to priority as to all of the counts in the '078 interference." As for the '817 interference, the Board found that Muetterties, on the basis of its earlier filing date, would have been entitled to priority as to all of the counts.

C. The Michigan Action

1. Abbott's motion for summary judgment

In its "MEMORANDUM OF LAW IN SUPPORT OF ABBOTT LABORATORIES' MOTION FOR SUMMARY JUDGMENT" ("Memo."), filed in the Michigan action, Abbott argued that "[d]espite finding that Abbott was the first and true inventor, the Board awarded priority to

Brennan as a sanction against Abbott for 'inequitable conduct' by an Abbott attorney during the interference" (Memo. at 2). According to Abbott, the old interference rules "did not give the Board the authority to deny priority as a sanction for inequitable conduct" (Memo. at 6). While the Board was authorized under the old interference rules to impose sanctions for failure to comply with a discovery order issued by the Board, 37 C.F.R. § 1.287(d)(2),[5] "[a]ny other allegedly inequitable conduct was to be referred to the Commissioner of Patents [and Trademarks] for appropriate action after the Board fulfilled its obligation to determine priority. 37 C.F.R. § 1.259 (1982)," citing *Lund v. Bentley*, 188 USPQ 9 (Bd. Pat. Int. 1974), and *Norton v. Curtiss*, 433 F.2d 779, 167 USPQ 532 (CCPA 1970).[6]

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[5] § 1.287 (1984) Discovery.

. . . .

(d)(2) Any failure to comply with an order under the provisions of paragraph (c) of this section may be considered by the Board of Patent Interferences as [a] basis for applying appropriate restrictions against the party failing to comply, for holding certain facts to have been established, and in an appropriate case for awarding priority against him, or for taking such other action as may be deemed appropriate.

[6] However, in the Lund interference, the Board on the basis of a false § 1.204(c) affidavit submitted by Lund et al. first awarded priority to Bentley before it referred the Lund et al. application to the Commissioner under § 1.259 for consideration of further action (i.e. striking the application) under § 1.56. 188 USPQ at 16.

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Abbott further noted that 37 C.F.R. § 1.223(c)[7] provided a specific sanction for failure to file a preliminary statement, i.e., testimony will not be received to prove

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In the Norton interference, Norton charged that Curtiss committed fraud on the PTO during ex parte prosecution of his application and that, as a result of this fraud, the Curtiss application should be stricken under § 1.56 and priority awarded to Norton. The Board, however, concluded that there was no adequate basis for holding that Curtiss committed any fraud on the PTO. In considering whether the Board should have instead referred the question of fraud to the Commissioner for his consideration, the court stated:

> We find the action taken by the Ass't Commissioner in his decision on the initial petition to strike, citing the probability that the board would necessarily consider many of the matters relevant to the fraud question, and enjoining that body to make an appropriate recommendation under Rule 259 if it found fraud to exist, was tantamount in its effect to a direct delegation of the responsibility to make any further findings regarding the question of fraud. We find no problems with such delegation. The board fully disposed of all questions relating to the fraud issue. Since that issue is a necessary preliminary to any finding that the application should be stricken, the board's decision was obviously determinative of the question. As such, it is within our jurisdiction to review.

[7] § 1.223 (1984) Effect of statement.

. . . .

(c) If a party to an interference fails to file a statement, testimony will not be received subsequently from him to prove that he made the invention at a date prior to his effective filing date. . . .

that he made the invention prior to the effective filing date (Memo. at 7), and argued that "the Board could have restricted Abbott's proofs and referred any inappropriate conduct relating to the preliminary statement to the Commissioner."[8] Furthermore, Abbott argued that if a party files a late preliminary statement without leave, either he may be allowed to file it (as was authorized by the Commissioner in the present case) or he may be restricted to his filing date under 37 C.F.R. § 1.223(c) (Memo. at 7).

Abbott also cited *Standard Oil Co. v. Montedison, S.p.A.*, 540 F.2d 611, 191 USPQ 657 (3d Cir. 1976), as standing for the proposition that "it is the function of the Board to determine which party is the first and true inventor. Any fraud or inequitable conduct during the interference proceeding will not change that fact, and must be referred to the Commissioner pursuant to Rule 259."[9]

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[8] Note, however, that since § 1.223(c) says that "testimony *will not* be received," it does not appear to give the Board discretion to receive testimony in the absence of a preliminary statement.

[9] *Standard Oil* was an appeal, in an action under 35 U.S.C. § 146, from a district court order denying a motion by Standard Oil for leave to amend the complaint to add new charges against Montedison based on unpatentability, misjoinder of inventors and fraud, issues which had not been raised before the Board during the interference proceeding in the PTO. Rather than holding that the Board must refer issues of fraud to the Commissioner under § 1.259, the Third Circuit in fact stated that the Board itself may consider fraud in determining priority in an interference proceeding:

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Finally, Abbott argued that the current authority of the Board to award judgment against a party guilty of

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> Fraud in prosecuting a party's case in an interference proceeding may obviously affect the Board's determination of priority and may, therefore, be raised before the Board [citing *Norton v. Curtiss* and *Langer v. Kaufman, supra*]. If so raised it may, of course, also be raised in the § 146 suit in the district court.

540 F.2d at 616 & n.9, 191 USPQ at 661 & n.9. Furthermore, the court stated:

> We note that the Board of Patent Interferences itself has taken the position that it should consider only those issues of fraud which relate to priority. *See Poole v. Sugaya v. Iwabuchi*, 182 U.S.P.Q. 571 (Pat.Off.Bd. of Pat.Int.1974). It may be that the Board is empowered to consider other issues of fraud as being ancillary to priority, as the Court of Customs and Patent Appeals appears to have held [citing *Norton v. Curtiss* and *Langer v. Kaufman*]. This we need not here decide.

540 F.2d at 617, 191 USPQ at 662.

Regarding the actual issue in *Standard Oil*, which was whether the district court could consider an issue of fraud raised for the first time in a § 146 action, the Third Circuit said that "in appropriate circumstances the district court may, in such an action, in the exercise of a sound discretion, permit an issue of fraud which infected the Board's determination to be raised though it was not raised in the interference proceeding." *Id.*, 191 USPQ at 661. However, the court continued,

> [w]e do not regard the discretionary power of the district court to permit an issue of fraud to be raised for the first time in a § 146 action as extending to issues of fraud which are not involved in the

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inequitable conduct was newly created with the adoption of § 1.616[10] of the new interference rules, which among other things empowers the Board to award judgment in the interference against a party who fails to comply with the regulations or any order of the Board (Memo. at 9-10). As noted by Abbott, in the correlation table published

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> interference proceeding itself. for it is only fraud which may have affected the determination by the board of the factual issue of priority of invention, i.e., the question as to which of the parties involved in the interference actually first used the device or process of the invention, which could have any effect on the determination by the board of that historical fact.

Id. (Footnote omitted.)

> [10]§ 1.616 (1985) Sanctions for failure to comply with rules or order.
>
> An examiner-in-chief or the Board may impose an appropriate sanction against a party who fails to comply with the regulations of this part or any order entered by an examiner-in-chief or the Board. An appropriate sanction may include among others entry of an order:
>
> (a) Holding certain facts to have been established in the interference;
>
> (b) Precluding a party from filing a motion or a preliminary statement;
>
> (c) Precluding a party from presenting or contesting a particular issue;
>
> (d) Precluding a party from requesting, obtaining, or opposing discovery; or
>
> (e) Granting judgment in the interference.

with the new rules § 1.616 is described as "new," while old § 1.287(d)(2), concerning sanctions for failure to comply with a discovery order, is indicated as corresponding to new § 1.616. 49 *Fed. Reg.* at 48,450. Furthermore, Abbott stated that in the "Analysis of Comments," published with the new rules, the PTO explained that the power to enter sanctions is being created because "[t]here are cases where sanctions are warranted." 49 *Fed. Reg.* at 48,438. Thus, Abbott argued, it is clear that prior to February 11, 1985, the effective date of the new rules, the Board lacked the authority "to enter judgment as a sanction for inequitable conduct during an interference proceeding."

The relief requested by Abbott was that the sanction be vacated and priority awarded to Abbott (Memo. at 12-13).

2. Brennan's response

Brennan, in its "DEFENDANT, JOHN BRENNAN'S RESPONSE TO PLAINTIFFS' MEMORANDUM OF LAW IN SUPPORT OF ABBOTT LABORATORIES' MOTION FOR SUMMARY JUDGMENT" ("Resp."), argued that "parties have a duty of candor and good faith toward the Patent and Trademark Office [which] is codified in 35 U.S.C. § 1.56" and that violations of 37 C.F.R. § 1.56[11] are

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[11] In April 1982, when Abbott's attorney filed the request for an extension of time which is the basis for the Board's finding of inequitable conduct, § 1.56 read in pertinent part as follows:

§ 1.56 (1981) Duty of disclosure; striking of applications.

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ancillary to priority within the meaning of 37 C.F.R. § 1.258(a)[12] (Resp. at 8), citing *Norton v. Curtiss, supra; Langer v. Kaufman, supra; Lund v. Bentley, supra;* and *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 223 USPQ 1089 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).[13]

Brennan conceded that "[u]nder former case law and Patent Office procedure, claims of inequitable conduct or fraud were referred to the Commissioner for his

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. . . .

(c) Any application may be stricken from the files if: (1) Signed or sworn to in blank, or without actual inspection by the applicant; or

(2) Altered or partly filled in after being signed or sworn to.

(d) An application shall be stricken from the files if it is established by clear and convincing evidence that any fraud was practiced or attempted on the Office in connection with it or that there was any violation of the duty of disclosure through bad faith or gross negligence.

[12] § 1.258 (1984) Matters considered in determining priority.

(a) In determining priority of invention, the Board of Patent Interferences will consider only priority of invention on the evidence submitted, and matters ancillary thereto. . . .

[13] *J.P. Stevens*, a patent infringement case, includes an extensive discussion of the duty of disclosure with respect to *ex parte* prosecution of a patent application. It does not, however, address the question of whether fraud and inequitable conduct are ancillary to priority in an interference proceeding.

decision," but argued that the Commissioner in his Notice of August 11, 1980, 998 *Official Gazette* 8 (Sept. 9, 1980), "authorized the Board of Patent Interferences to henceforth consider these issues at the final hearing" (Resp. at 8-9).[14]

After noting that for the above reasons alone the Board was justified in awarding priority based on inequitable conduct, Brennan further argued that the Commissioner in his September 21, 1982, decision on petition specifically authorized the Board to consider the issue of fraud in the '817 interference ("questions of fraud arising in an interference are ancillary to priority and are treated by the Board . . . Accordingly, the interference is remanded to the Board for appropriate action") (Resp. at 9).

As for Abbott's contention that the matter of its attorney's conduct should have been referred to the Commissioner under 37 C.F.R. § 1.259, Brennan pointed out that recommendations under § 1.259 are expressly limited to matters "not relating to priority," whereas inequitable conduct, being ancillary to priority, is necessarily related to priority (Resp. at 9-10).

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[14] In fact, rather than authorizing the Board to consider the issues of fraud and inequitable conduct at final hearing, the Commissioner's Notice merely acknowledged that the CCPA in *Norton v. Curtiss* and *Langer v. Kaufman* held that the Board had the authority to, and in fact must consider, fraud and inequitable conduct at final hearing, because these issues are ancillary to priority. The reason for the Commissioner's Notice was to indicate that petitions to *strike* an application for fraud or inequitable conduct under § 1.56(d) henceforth would be dismissed without prejudice by patent interference examiners rather than by the Commissioner, as was the previous practice.

Brennan also rejected Abbott's argument that the Board's authority to enter sanctions under the old interference rules was limited to the sanctions set forth in §§ 1.223(c) and 1.287(d)(2). As for § 1.287(d)(2), which established sanctions for failing to comply with a discovery order by the Board, Brennan noted that it clearly was not applicable to fraud or to the preparation and filing of a preliminary statement (Resp. at 10). As for § 1.223(c), which Brennan conceded authorized the Board to restrict a party to his effective filing date for failure to file a preliminary statement, Brennan argued that the Commissioner's decision that Abbott's late preliminary statement would be accepted as timely "did not preclude the Board's further consideration of the ancillary issue of fraud, but rather, explicitly authorized the Board to consider it" (Resp. at 10-11).

Abbott's reliance on *Standard Oil* was challenged on the ground that the decision "did not address the present issue of whether the Board has authority to decide issues of fraud first raised in front of the Board" (Resp. at 12).[15]

Finally, in response to Abbott's contention that adoption of § 1.616 of the new interference rules demonstrates that the Board previously had no authority to award priority based on inequitable conduct, Brennan argues that this argument is a *non sequitur*, because "[a] sanction

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[15] As discussed *supra* n.9, the *Standard Oil* court observed that according to the CCPA, the Board has the authority to consider issues of fraud which are ancillary to priority, but the Standard Oil court declined to decide what kinds of conduct constitute fraud and inequitable conduct which are ancillary to priority.

is entirely different than a matter which is ancillary to priority" (Resp. at 15).

The relief requested by Brennan was that Abbott's motion for summary judgment should be denied (Resp. at 18).

3. Abbott's reply

In "PLAINTIFFS' REPLY MEMORANDUM IN SUPPORT OF PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT" ("Reply"), Abbott argued that "for the first time in any reported decision, the Board exceeded its charge to determine the first and true inventor . . . and awarded priority to Brennan. . . . Prior to this case, the PTO had handled charges of inequitable conduct in an interference in the manner observed by the Third Circuit in *Standard Oil*" (Reply at 2).[16]

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[16] *But see*, for example, *Steierman v. Connelly*, 192 USPQ 433, 445 (Bd. Pat. Int. 1975), *aff'd on reh'g*, 192 USPQ 446 (1976), 197 USPQ 288, 289 (Board awarded priority to Steierman based on inequitable conduct by Connelly, a patentee, even though Steierman did not make the invention prior to Connelly's filing date); *Vandenburg v. Reynolds*, 242 F.2d 761, 764, 113 USPQ 275, 277 (CCPA 1957) (in awarding priority to Reynolds as first inventor, Board refused to consider question of whether Reynold's application should be stricken for being altered after execution; court held this question to be ancillary to priority and remanded the case for consideration of this issue. As noted in *Vandenburg v. Reynolds*, 268 F.2d 744, 746, 122 USPQ 381, 382 (CCPA 1959), on remand the Commissioner determined that the alteration was insignificant and decided not to strike the application.

Abbott's next argument, which the Michigan court apparently found convincing, was that § 1.56(d) (1981) did not authorize the Board to award priority to Brennan for Abbott's inequitable conduct, because § 1.56(d) expressly pertained only to patent *applications*, not to interference proceedings (Reply at 3).[17] Moreover, Abbott contended that the comments published concerning § 1.56(d) as amended,[18] which was effective July 1, 1982,

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[17] It is interesting to note that Abbott did not argue that § 1.56(d) was inapplicable on the ground that it does not pertain to patents (Abbott's conduct concerned the Abbott patent rather than the Abbott reissue applications, which had not yet been filed or placed in interference with the Brennan application). Rather, Abbott's argument appeared to be that § 1.56(d) was and is inapplicable to interference proceedings regardless of whether the conduct in question concerns a patent or an application. However, as discussed above at n.5, in *Lund v. Bentley, supra*, the Board awarded priority to Bentley based on a false affidavit filed by Lund under § 1.204(c) for the purpose of provoking an interference.

[18] § 1.56 (1982) Duty of disclosure; fraud; striking or rejection of applications.

. . . .

(d) No patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or gross negligence. The claims in an application shall be rejected if upon examination pursuant to 35 U.S.C. 131 and 132, it is established by clear and convincing evidence (1) that any fraud was practiced or attempted on the Office in connection with the application, or in connection with any previous application upon which the application relies, or (2) that there was any violation of the duty of disclosure through bad faith or gross

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and provided for rejecting claims instead of striking applications, "were intended to apply to any *applications* then pending which had not been the subject of a final office decision on questions of fraud or violations of the duty of disclosure" (Abbott's emphasis). Abbott also quoted deposition testimony of Brennan's expert witness, Professor Martin Adelman, to the effect that it had not been alleged that fraud or inequitable conduct had been committed in connection with prosecution of the application which matured into the Muetterties patent and that while § 1.56(d) concerns the disclosure of prior art, an interference is not concerned with prior art. Finally, Abbott argued, "the Board has concluded that its authority is limited to matters concerning patent applications as defined by Rule 56(d)," citing *Donohoe v. Baudry*, 223 USPQ 823, 824 (Bd. Pat. Int. 1984) (Reply at 4).[19]

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> negligence in connection with the application, or in connection with any previous application upon which the application relies. . . .

[19] The issue in *Donohue* was *not* whether the Board in regard to fraud or inequitable conduct was limited by 37 C.F.R. § 1.56(d) to considering conduct with respect to applications. Rather, the issue was whether the Board was authorized to consider a petition to *strike* the Donohue application under 37 C.F.R. § 1.56(c) because the Donohue application was signed in blank or without actual inspection by Donohue. Prior to final hearing, a patent interference examiner had dismissed this petition without prejudice to renewal following termination of the interference. Baudry requested that the Board review the § 1.56(c) issue as part of its determination of priority, but the Board declined:

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Consequently, "[s]ince . . . Rule 56(d) did not apply to the issues in the Abbott/Brennan interference, there was no authority for the Board's action" (Reply at 4). Abbott further argued:

> Brennan next tries to graft the Rule 56 concept of a determination "ancillary to priority" onto the interference to give the Board jurisdiction to deny priority to the first inventor. While Brennan makes this suggestion, the Board did

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> We agree with Donohue that we have no jurisdiction to review the matter of Donohue's signing the application in blank because the striking of the application on such a ground was (and still is) discretionary with the Commissioner as note the permissive language "may be stricken", present in 37 C.F.R. 1.56(c). See also the Commissioner's Notice of August 11, 1980, 998 O.G. 8[,] which limits our jurisdiction to matters concerning 37 C.F.R. 1.56(d). In this regard, we note that in *Jessel v. Newland*, 195 USPQ 674 (Bd. Pat. Int. 1977) a panel of this Board was faced with a similar charge, that Jessel did not read his application before he signed the oath in violation of 37 C.F.R. 1.56(c). Rather than awarding priority against Jessel, which they presumably would have done if the issue were "ancillary to priority", the Board made a recommendation under 37 C.F.R. 1.259 that the Commissioner exercise his discretion and strike the Jessel application. [Footnote omitted.]

In view of the actual issue in *Donohue*, it is clear that the Board, in saying that its authority is limited to matters concerning § 1.56(d), merely meant that it was without authority to consider matters (i.e., conduct) warranting the striking of an application under § 1.56(c). Hence, the Board did not mean that conduct ancillary to priority is limited to the conduct described in § 1.56(d).

> not. The determination of a factual dispute on inequitable conduct unrelated to the application for patent is not ancillary, or in any way related, to the determination of priority of invention. *Standard Oil Co. v. Montedison*, 540 F.2d at 617.

Reply at 4. As will appear, the Board in its decision on remand made it clear that it considered Abbott's conduct to be ancillary to priority.

4. The Michigan court's initial-decision

In an opinion delivered from the bench on July 2, 1987,("Transcript"), the Michigan court agreed with Abbott that the Board, under the old interference rules which governed the two interferences, lacked the authority to award priority to Brennan based on Abbott's inequitable conduct and that the Board should have referred the matter to the Commissioner under Rule 259:

> [T]he Board completely erred in failing to dismiss the petition [sic, motion] without prejudice pending [the] determination on the issues of priority. Following the determination of priority, the Board should have made a recommendation under 37 C.F.R. 1.259 for the Commissioner to consider the conduct of Abbott's attorney. . . .

Transcript at 19.

Specifically, after noting that Brennan had cited a "plethora" of cases where courts have held that inequitable conduct is ancillary to priority, the court cited *Donohue, supra*, for the proposition that "the Board has interpreted the Commissioner's Notice of August 11, 1980, 998 O.G. 8 as limiting the authority of the Board to

questions of inequitable conduct under Sec. 1.56(d) concerning a party's material misrepresentation or violation of [the] duty of disclosure to the Patent Office" (Transcript at 17-18). Although the court did not explain the basis for this conclusion, it apparently agreed with Abbott that its attorney's conduct did not concern an application and therefore was not proscribed by § 1.56(d).[20]

The court also dismissed Brennan's argument that the Commissioner in this particular case specifically directed the Board to consider the issue of inequitable conduct, stating that "as this Court reads the Commissioner's Order in conjunction with 998 O.G. 8, . . . the Commissioner asked only that the Board address these issues so he would have the Board's view before he made a determination in addition to presenting the possibility of the issue of inequitable conduct [being] moot after the Board determined priority." Transcript at 18.

After noting that Brennan had cited a "plethora" of cases where courts have held that inequitable conduct is ancillary to priority, the court nevertheless held that Abbott's inequitable conduct was not "ancillary" as that term is defined in *Donohue, supra* at 824 n.2:[21]

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[20] As discussed *supra* n.19, the reliance by Abbott and the court on *Donohue* for the proposition that inequitable conduct which is ancillary to conduct is limited to conduct described in § 1.56(d) is misplaced.

[21] In *Donohue*, the Board attributed this definition to Revise and Caesar, *Interference Law and Practice*, Vol. 2, § 251 (Michie Co. 1943).

> An ancillary question may be defined as a question which if decided in favor of the party raising the question would necessarily result in a judgment against his opponent.

Transcript at 18-19. According to the court, "as Abbott notes, the dispute as to the inequitable conduct [in this case] is not in any way related to the determination of the priority of the instant invention."[22]

Although the court on the above grounds decided that the Board should not have awarded priority to Brennan based on Abbott's inequitable conduct, it did not reverse the Board's decision and award priority to Abbott:

> [T]he Court is convinced that Abbott's position is the more reasonable one. Instead of awarding priority to Abbott, however, the matter of inequitable conduct is remanded to the Board with directions to immediately make a Sec. 1.259 reference to the Commissioner. The Commissioner can then decide if the inequitable conduct merits sanctions against Abbott and Muetterties and if so, what kind of sanctions.

Transcript at 20. An order to this effect was entered on July 6, 1987.

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[22] Although the court did not cite *Standard Oil* in support of this conclusion, it appears to have adopted Abbott's view of that case, i.e., that the only "ancillary" matters proper for consideration by the Board are those that relate to the question of date priority, i.e., who was in fact the first inventor.

5. Brennan's motion for rehearing

In a "MEMORANDUM OF LAW IN SUPPORT OF BRENNAN'S MOTION FOR REHEARING ON THE ORDER OF THE COURT DATED JULY 6, 1987" ("Motion"), Brennan repeated his previous arguments and in addition distinguished this case from *Donohue* on the ground that whereas Donohue concerned 37 C.F.R. § 1.56(c),[23] which states that an application "may be stricken" for being signed in blank or altered after execution, this case involves § 1.56(d), which states that an application "shall be stricken" for fraud or inequitable conduct (Motion at 5-6). Thus, while § 1.56(c) allows for discretionary treatment by the Commissioner, § 1.56(d) mandates that the application be stricken. Therefore, according to Brennan, *Donohue* only means that the Board's jurisdiction does not extend into areas which are reserved to the Commissioner under § 1.56(c).[24]

Furthermore, Brennan argued that in contrast to violations of § 1.56(d), violations of § 1.56(c) have never been held to be ancillary to priority (Motion at 6-7).

Brennan also cited *Driscoll v. Cebalo*, 731 F.2d 878, 883, 221 USPQ 745, 749 (Fed. Cir. 1984), contending that the Federal Circuit "accepted" the following description by Deputy Commissioner Parker of the PTO's procedure of

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[23] *Supra* n.11.

[24] Brennan, however, did not argue that inequitable conduct which ancillary to priority may include conduct which is outside that expressly proscribed by § 1.56(d), i.e., conduct concerning applications.

awaiting a ruling by a court before deciding whether to strike an application:[25]

> Fraud issues are ancillary to priority and are resolved by the Board along with other issues in determining priority. In the recent past, it has been the practice of the PTO to defer rulings on petitions to strike until the Board rules on any fraud issues at final hearing. It is implicit from former Deputy Commissioner Parker's decision that such a ruling should be made by the Commissioner – if it is to be made at all – only after a decision in the interference is final (either because no appeal is filed or, if an appeal is filed, when the decision on appeal becomes final).

Motion at 8.

Finally, Brennan cited *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, *reh'g denied*, 325 U.S. 893 (1945), wherein he contends that "a party's rights to a patent, otherwise properly acquired, were held to be unenforceable due to inequitable conduct practiced during the course of an interference."[26]

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[25] Deputy Commissioner Parker's description appeared in *Driscoll v. Cebalo*, 5 USPQ 2d 1492, 1494-95 (Comm'r Pat. 1983) (decision on reconsideration) (released Nov. 4, 1987). This description is reproduced above as it appeared in the Federal Circuit's opinion.

[26] In *Precision Instrument*, the Supreme Court held unenforceable a patent based on an application which had been involved in an interference proceeding, on the ground that the parties reached a settlement as to priority without informing the PTO that one of the applications had been fraudulently filed and that testimony they had reason to believe was false had been given with respect to that application during the interference. 324 U.S. 818-19.

6. Abbott's response to motion for rehearing

In "DEFENDANTS' RESPONSE TO BRENNAN'S MOTION FOR REHEARING," Abbott argued that "Brennan's unwillingness to accept this Court's decision stems from his apparent inability to distinguish fraud in an application from conduct during the course of an interference."

Abbott distinguished the present case from *Norton v. Curtiss*, *Precision Instrument*, and *Driscoll v. Cebalo*, *supra*, on the ground that the issue in those cases was fraud or violation of the duty to disclose during the *ex parte* prosecution of an application.

7. Brennan's reply concerning rehearing

In a "SUPPLEMENTAL MEMORANDUM IN SUPPORT OF REHEARING,"Brennan challenged Abbott's contention that in effect "perjury in [a] patent application is somehow different than perjury in [a] patent interference." According to Brennan, the Supreme Court in *Precision Instrument* held that "all parties to Patent and Trademark Office (PTO) proceedings, including interferences, have an uncompromising duty to disclose to [the] PTO any knowledge of fraud."[27]

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[27] While the Commissioner agrees with Brennan on this point, and would add further that all such parties also have the duty to disclose all material information to the PTO in such proceedings, he acknowledges that the Supreme Court's description of the duty to the PTO in *Precision Instrument* was in fact directed to conduct concerning prosecution of *applications*:

(Continued on following page)

Brennan also noted that in *Lund v. Bentley, supra,* the Board awarded priority on the basis of an affidavit submitted for the purpose of going into interference.

8. The Michigan court's decision on rehearing

In a September 15, 1987, "MEMORANDUM OPINION AND ORDER DENYING DEFENDANT'S MOTION FOR REHEARING" ("Reh'g"), the court denied Brennan's motion for rehearing, again holding that the Board did not have the authority under the old interference rules to enter sanctions for Abbott's inequitable conduct.

In part I of its opinion, the court observed that "[f]ew cases have involved inequitable conduct committed during the interference proceeding itself," citing *Precision*

(Continued from previous page)

> Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue.

324 U.S. at 818. However, it is clear from the underlying policy described by the Court that this duty is not limited to the *ex parte* prosecution of applications:

> Public interest demands that all facts relevant to [inequitable conduct] be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the "mute and helpless victims of deception and fraud."

Instrument and *Lund v. Bentley, supra; cf. Woods v. Tsuchiya*, 754 F.2d 1571, 225 USPQ 11 (Fed. Cir.), *cert. denied*, 106 S. Ct. 81 (1985) (award of priority in prior interference, for failure to comply with discovery order bearing on originality and derivation, held not "based solely on ancillary matters" in sense of § 1.257(b); therefore estoppel-by-judgment rule of § 1.257(a) applies); *Tezel v. Bellatoni*, 188 USPQ 688 (Bd. Pat. Int. 1975) (Board may award priority under § 1.287(d)(2) against party who fails to comply with discovery order). In view of these cases, the court concluded that it has not always been clear what procedures should be followed by the Board when inequitable conduct occurs in an interference proceeding.

According to the court, whereas initially the Board referred all matters concerning inequitable conduct to the Commissioner, "[i]n 1980, however, the Commissioner directed that patent interference examiners and the Board dismiss allegations of inequitable conduct in interference proceedings, without prejudice as to the renewal of those issues following the termination of the interference." In support, the court cited the Commissioner's Notice of August 11, 1980, 998 O.G. 8,[28] and quoted from the description of PTO practice given by Deputy Commissioner Parker in *Driscoll v. Cebalo* (Comm'r Pat. 1983),

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[28] As noted previously, the Commissioner's Notice, *supra* n.3, provided only for dismissing petitions to *strike* an application in interference on the ground of inequitable conduct. It did not provide for dismissing motions to award *priority* based on inequitable conduct by the other party, which conduct is ancillary to priority. *Norton v. Curtiss, Langer v. Kaufman, supra.*

supra, including the passage quoted above (Reh'g at 3-4).[29]

The court further opined that the new interference rules, in particular § 1.616, now "make it unnecessary for the Board in an interference proceeding to refer matters of inequitable conduct to the Commissioner" (Reh'g at 5).

In part II of its opinion, however, in apparent contradiction to its approval of PTO practice as described in *Driscoll v. Cebalo* (Comm'r Pat. 1983), *supra*, the court held

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[29] In addition to the part of the description quoted above, the court quotes the following additional paragraph:

> A final ruling by the Board on an ancillary issue, including fraud, is a final agency action in an interference proceeding. 35 U.S.C. § 135(a). Nothing more need be done by the PTO to make the Board's decision subject to judicial review under 35 U.S.C. §§ 141-144, 146. The act of striking (or not striking) an application, or of rejecting (or not rejecting) claims in an application other than the claims which correspond to the counts of the interference, based on the Board's decision on a fraud issue[,] will not alter the basic issues on appeal. Hence, there is no need to determine whether to strike (or decline to strike) an application or to reject (or not reject) claims in an application before judicial review is complete. When a decision in the interference becomes final, the Commissioner may then decide what further action – if any – might be taken under applicable PTO rules consistent with the final decision in the interference, whether entered by the Board or a reviewing court.

As is the case with the August 11, 1980, Notice, the above procedure concerns only petitions to strike applications, not motions to award priority.

that the Board's decision is not a final, appealable order, because "[s]hould this Court, or the Federal Circuit on appeal, find priority in favor of Abbott, that determination could be overturned by the Commissioner in his review of the inequitable conduct by Abbott's attorney. Moreover, regardless of how the Commissioner finally rules, the parties may again seek judicial review." Reh'g at 6. Furthermore, the court held that the statements in *Driscoll v. Cebalo* (Comm'r Pat. 1983), *supra*, to the effect that the Board's decision on fraud represents a final agency action are not controlling on the question of finality:

> The rules strictly limit the Board's authority over inequitable conduct during an interference proceeding. . . . Having promulgated the rules, the Commissioner may not – through official notices or otherwise — fail to apply them. . . . Nor may he bypass duties he assumed under the rules by 'subdelegating' to the Board his power to decide fraud issues.

Reh'g at 6-7.

For the above reasons, the Michigan court denied Brennan's motion for rehearing and again ordered the case "remanded to the Board with directions that it make a rule 259 reference to the Commissioner." Reh'g at 8.

D. The Board's Decision on Remand

In its May 27, 1988, decision on remand, the Board reaffirmed its award of priority to Brennan based on the inequitable conduct of Abbott's attorney and emphasized

that rather than finding that Abbott was entitled to priority but awarding priority to Brennan as a "sanction" for Abbott's inequitable conduct, as argued by Abbott in the Michigan action, the Board in fact "awarded priority to Brennan on the ancillary matter of inequitable conduct on the part of Abbott," citing Revise and Caesar, *Interference Law and Practice, supra* § 251; *Jenks v. Knight*, 90 F.2d 654, 656, 33 USPQ 601, 604 (CCPA 1937) (where Jenks admitted he was not the first inventor, "the question of estoppel presented is one ancillary to the question of priority"); *Norton v. Curtiss, supra; Langer v. Kaufman, supra*.[30] Hence, the Board concluded that its decision, if not appealed or if affirmed on appeal, will result by operation of law in cancellation of the claims of the Muetterties patent which correspond to the lost counts (i.e., all of the counts) of the interference. That is, pursuant to 35 U.S.C. § 135(a), its decision constitutes a final refusal by the PTO of those claims in the reissue applications which correspond to the lost counts.

As for Abbott's argument that 35 U.S.C. § 135(a) only gives the Board the right to award priority to the first inventor, the Board said that in effect Abbott is suggesting that a party who practiced fraud on the PTO during

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[30] The Board, however, did not specifically address the court's apparent conclusion that conduct during interference proceedings is outside the conduct proscribed by § 1.56(d) and therefore not ancillary to priority. Nor did the Board explain that its statement in *Donohue* that its authority with respect to inequitable conduct is limited to the conduct proscribed by § 1.56(d) meant only that it did not have the authority to consider conduct for which an application could be stricken under § 1.56(c).

the course of an interference should still be able to prevail if he can show that he made the invention first. However, the Board contended, this ignores the fact that it decides not only questions of priority but also questions ancillary to priority. The Board then quoted extensively from Chief Judge Markey's concurring opinion in *Tofe v. Winchell*, 645 F.2d 58, 64-65, 209 USPQ 379, 384-85 (CCPA 1981), wherein he identified the various matters which have been held to be ancillary to priority (i.e., alteration of an application after execution, the right to make a count, fraud, lack of interference in fact, failure to disclose best mode).

The Board also pointed out that in previous decisions it has awarded priority to the second inventor, such as when the first inventor is deemed to have suppressed or concealed the invention, *Lutzker v. Plet*, 843 F.2d 1364, 1366, 6 USPQ 2d 1370, 1371 (Fed. Cir. 1988), or the first inventor is guilty of inequitable conduct, *Cebalo v. Driscoll*, 5 USPQ 2d 1495, 1497 (Bd. Pat. App. & Int. 1984). The Board also noted that where derivation has been established, it awards priority even though only one party made the invention. *Davis v. Reddy*, 620 F.2d 885, 889, 205 USPQ 1065, 1069 (CCPA 1980). Finally, the Board observed that it was precluded from awarding priority against both parties in view of the decisions in *Sheffner v. Gallo*, 515 F.2d 1169, 1172, 185 USPQ 726, 728 (CCPA 1975), and *Morgan v. Hirsch*, 728 F.2d 1449, 1452, 221 USPQ 193; 195 (Fed. Cir. 1984).

In response to Abbott's argument that the Board referred a question of inequitable conduct to the Commissioner under Rule 259 in *Lund v. Bentley, supra*, the Board noted that in that case it first awarded priority to the

senior party (Bentley) on the basis of fraud by the junior party (Lund et al.) and that, pursuant to 35 U.S.C. § 135(a), the award of priority constituted a final refusal by the PTO of those claims in the junior party's application which correspond to the counts in the interference. The Board explained that the purpose of its Rule 259 recommendation to the Commissioner was to permit the Commissioner to consider whether Lund et al. also should be precluded (i.e., by striking their application) from receiving a patent at all, even as to the subject matter not involved in the interference.

The Board further noted that since Brennan prevailed on the ancillary matter of inequitable conduct, which disposed of the interferences, it was not required to consider the evidence related to inventive acts, i.e., conception, reduction to practice and diligence. Nevertheless, the Board said it considered this evidence in order to determine which party would have prevailed in the absence of a finding of inequitable conduct, a procedure endorsed by the Court of Customs and Patent Appeals in *Tofe v. Winchell, supra* at 63, 209 USPQ at 384 ("a decision on the issue of date priority *but for* the issue of fraud . . . enable[s] this court to address all facets of the issue of priority, should this matter be appealed"). Consequently, should a court reverse a finding of inequitable conduct upon which an award of priority is based, the court would have the benefit of the Board's views on the matter of date priority.

The Board also rejected the notion that it should have dismissed the parties' motions for an award of priority based on the other party's inequitable conduct. After concluding that "the District Court apparently equated

the Brennan motion for priority on the ground of fraud by Abbott, and a corresponding motion by Abbott, [with] petitions to strike an application of the type referred to in the Commissioner's Notice of August 11, 1980," the Board noted that "there was nothing said in the Brennan motion about striking an application." Instead, "[t]he motion requested an award of priority on the ground of intentional fraud on the part of an Abbott attorney."

Although the Board for the above reasons did not believe it necessary to make a Rule 259 recommendation to the Commissioner regarding Abbott's inequitable conduct, it nonetheless indicated that in view of the order of the Michigan court, which specifically directed it to make a Rule 259 recommendation to the Commissioner, "[w]e feel constrained to refer the matter to the Commissioner."

D. Decision Deferring Consideration of Rule 259 Reference

In the Commissioner's view, the Board had authority to conclude that Abbott's conduct constituted inequitable conduct ancillary to priority. While it is true that this conduct did not concern an application, and was therefore not literally proscribed by § 1.56(d), it was clearly a violation of Abbott's duty of candor to the PTO in view of the Supreme Court's opinion in *Precision Instrument, supra*. Such conduct clearly would have been considered to be inequitable conduct had it been committed with respect to an application during *ex parte* prosecution of an application (Abbott does not contend otherwise). There is no logical or equitable reason why such conduct should be treated differently by the Board merely because it was

committed during an interference proceeding or because it concerned a patent rather than an application. In fact, as noted above, the Board awarded priority based on conduct during an interference proceeding in *Lund v. Bentley, supra* (priority awarded to Bentley based on Lund's false § 1.204(c) affidavit).

Regarding the Board's statement in *Donohue* to the effect that its authority is limited to matters under § 1.56(d), as explained above, what the Board meant was that it could not consider a motion to strike based on the conduct described in § 1.56(c), because the decision to strike or not to strike an application required (and still requires) the exercise of discretion on the part of the Commissioner.

For the above reasons, there is no basis for concluding that in determining priority, the "matters ancillary thereto"[31] (insofar as conduct is concerned) are limited to fraud and inequitable conduct involving *applications*, as recited in § 1.56(d), or to *ex parte* prosecution.

Nor is it determinative that no PTO rule specifically proscribes fraud and inequitable conduct in interferences (or with respect to patents). *Compare Securities and Exchange Comm'n v. Chenery Corp.*, 332 U.S. 194, 202-03 (1946):

> [P]roblems may arise in a case which the administrative agency could not reasonably foresee, problems which must be solved despite the absence of a relevant general rule. Or the agency may not have had sufficient experience with a

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[31] 37 C.F.R. § 1.258, *supra* n.12.

> particular problem to warrant rigidifying its tentative judgment into a hard and fast rule. Or the problem may be so specialized and varying in nature as to be impossible of capture within the boundaries of a general rule. In those situations, the agency must retain power to deal with the problems on a case-to-case basis if the administrative process is to be effective. There is thus a very definite place for the case-by-case evolution of statutory standards. And the choice made between proceeding by general rule or by individual, *ad hoc* litigation is one that lies primarily in the informed discretion of the administrative agency. *See Columbia Broadcasting System v. United States*, 316 U.S. 407, 421 [1942].

Since Abbott's conduct in fact involved "fraud or inequitableness" in the sense of those terms in *Precision Instrument*, and since it did not involve conduct of the type set forth in § 1.56(c), as in *Donohue, supra*, the Board correctly concluded that it was ancillary to priority. Hence, the Board had the authority to award priority to Brennan on the basis of Abbott's conduct. From this it necessarily follows that the Board's decision awarding priority to Brennan based on Abbott's conduct constituted a final agency decision, i.e., "[n]othing more need be done by the PTO to make the Board's decision subject to judicial review under 35 U.S.C. §§ 141-144, 146." *Driscoll v. Cebalo* (Comm'r Pat. 1983), *supra*, 5 USPQ 2d at 1495.

In view of the above, the effect of the Board's referral of the '791 and '792 reissue applications to the Commissioner under old § 1.259 is to have the Commissioner consider whether the applications should be subject to further action under § 1.56(d). However,

> there is no need to determine whether to strike (or to decline to strike) an application or to reject (or not reject) claims in an application before judicial review is complete. When a decision in the interference becomes final, the Commissioner may then decide what further action – if any – might be taken under applicable PTO rules *consistent with the final decision in the interference*, whether entered by the Board or a reviewing court.

(Emphasis in original.) *Driscoll v. Cebalo* (Comm'r Pat. 1983), 5 USPQ 2d at 1495.

In the present case, judicial review of the Board's award of priority has not yet been completed. The Michigan court has not entered a final decision with respect to the Board's decision awarding priority to Brennan. Furthermore, following a final decision by the Michigan court, the losing party may decide to appeal to the United States Court of Appeals for the Federal Circuit. Only after judicial review has been completed will the Commissioner be in a position to determine whether the reissue applications should be subjected to further action pursuant to 37 C.F.R. § 1.56.

Consequently, consideration of the Board's Rule 259 referral of these applications to the Commissioner for consideration of further action is being deferred until judicial review has been completed.

Date: July 26, 1988 /s/ Donald J. Quigg
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APPENDIX J

Final Hearing
September 17, 1985, as corrected in
230 U.S.P.Q. 560 (1986).

Paper No. 89
JRB/dal

ABBOTT LABORATORIES
JAN 13 1986
PATENT DEPARTMENT

IN THE UNITED STATES
PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT
APPEALS AND INTERFERENCES

Patent Interference No. 101,078

Brennan v. Muetterties v. Muetterties et al

Equipment Sets and System For the Sequential Administration of Medical Liquids at Dual Flow Rates

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Application of John F. Brennan filed 07/18/79, Serial No. 058,725.

Reissue application of Andrew J. Muetterties filed 07/16/82, Serial No. 397,792, Application for Reissue of Patent No. 4,256,104, granted 03/17/81 on Serial No. 016, 461.

Patent granted to Andrew John Muetterties and Joseph Nicholas Genese Patent No. 4,256,104 issued March 17, 1981 on Serial No. 016,461, filed February 28, 1979.

Patent Interference No. 100,817

Brennan v. Muetterties et al v. Muetterties et al

I.V. System for Successive Administration of Two or More Solutions at Different Rates

---

Application of John F. Brennan filed 07/18/79, Serial No. 058,725.

Reissue application of Andrew J. Muetterties and Joseph N. Genese filed 07/16/82, Serial No. 397,791, Application for Reissue of Patent No. 4,256,104, granted 03/17/81 on Serial No. 016,461.

Patent granted to Andrew John Muetterties and Joseph Nicholas Genese Patent No. 4,256,104 issued March 17, 1981 on Serial No. 016,461, filed February 28, 1979.

Rutherford and Hoffman for Brennan. Oral argument by John F. Brennan.

Haskell, Katz and Thiele for Muetterties. Oral argument by Boris Haskell.

Haskell, Katz and Thiele for Muetterties, et al. Oral argument by Boris Haskell.

Forrer, Urvnowice and Boler, Examiners-in-Chief. Boler, Examiner-in-Chief.

The record and the briefs for these two interferences have been consolidated. Both interferences involve an unassigned application of Brennan, and a patent to Muetterties et al, assigned to Abbott Laboratories (Abbott). Interference No. 100,817 additionally involves an application for reissue of the Muetterties et al patent filed by Muetterties et al, jointly, and Interference No. 101,078 includes an application for reissue of the patent filed by Andrew J. Muetterties, sole.

The relationship of the counts of Interference No. 101,078 to the claims of the respective parties is as follows:

Counts	Brennan	Muetterties	Muetterties et al
1	31	1	1
2	32	2/1	2
3	35	5/1	5

4	37	7	7
5	38	8	8
6	39	11/1	11
7	40	12	12
8	41/39	13	13/11
9	41/40	25	13/12
10	42/39	14	14/11
11	42/40	26	14/12
12	43	16/1	16
13	44	17/1	17
14	45	24	24

Counts 1 and 3 are illustrative and read as follows:

Count 1

In a set for the sequential administration of medical liquids to a patient, said set including:

a primary tube for the flow of a primary medical liquid therethrough and including a primary valve for controlling the flow of liquid through said primary tube,

a secondary tube for the flow of a secondary medical liquid therethrough,

a common tube having its distal end in fluid communication with the proximal ends of said primary and secondary tube and its proximal end open for the flow of liquid therefrom to form a primary liquid flow path comprising said primary tube and said common tube and a secondary liquid flow path comprising said secondary tube and said common tube, the improvement which comprises:

a secondary flow control means on said secondary liquid flow path for adjusting the flow rate of said secondary liquid therethrough,

a primary flow control means on said primary tube for adjusting the flow rate of said primary liquid through said primary flow path to a rate independent of the flow rate of said secondary liquid through said secondary liquid flow path, and

an air barrier means within said secondary liquid flow path substantially impervious to air but permitting liquid flow there through while said set is in use and preventing the flow of air therethrough after said secondary liquid has been depleted, whereby, following administration of said secondary liquid, flow of said primary liquid may be resumed at the preset rate without adjustment of said primary or said secondary flow control means.

Count 3

The set defined in count 1, wherein said air barrier is located between the ends of said secondary tube.

The relationship of the counts of Interference No. 100,817 to the claims of the respective parties is as follows:

Counts	Brennan	Muetterties et al (Patent)	Muetterties et al (Reissue)
3	33	3	3
4	34	4	4
6	36	6	6

Count 6 depends from claim 1 of the Muetterties patent and reads as follows:

Claim 1

In a set for the sequential administration of medical liquids to a patient, said set including:

a primary tube for the flow of a primary medical liquid therethrough and including a primary valve for controlling the flow of liquid through said primary tube,

a secondary tube for the flow of a secondary medical liquid therethrough,

a common tube having its distal end in fluid communication with the proximal ends of said primary and secondary tube and its proximal end open for the flow of liquid therefrom to form a primary liquid flow path comprising said primary tube and said common tube and a secondary liquid flow path comprising said secondary tube and said common tube, the improvement which comprises:

a secondary flow control means in said secondary liquid flow path for adjusting the flow rate of said secondary liquid therethrough,

a primary flow control means on said primary tube for adjusting the flow rate of said primary liquid through said primary flow path to a rate independent of the flow rate of said secondary liquid through said secondary liquid flow path, and

an air barrier means within said secondary liquid flow path substantially impervious to air but permitting liquid flow there through while

said set is in use and preventing the flow of air therethrough after said secondary liquid has been depleted, whereby, following administration of said secondary liquid, flow of said primary liquid may be resumed at the preset rate without adjustment of said primary or said secondary flow control means.)

Count 6

The set defined in claim 1, wherein said air barrier is located between the ends of said common tube.

The parties have submitted evidentiary records consisting of deposition testimony and exhibits. In addition the parties have stipulated that two affidavits by Lyndal L. Shaneyfelt may be used as evidence pursuant to 37 CFR 1.272(c). Brennan relies on answers to interrogatories set forth in Brennan Exhibit 34 (BR 34) and Muetterties and Muetterties et al rely on the answers to interrogatories as noted in paper No. 42 of '078 and in Paper No. 108 of '817. The parties filed briefs and appeared for oral argument at final hearing. Hereafter, unless otherwise indicated, Muetterties will be used to designate both Muetterties (sole) and Muetterties et al.

Fraud

Interference No. 100,817 was declared on February 10, 1982 between the Muetterties patent and the Brennan application. The due date for filing and serving notice of filing preliminary statements was set to expire on April 11, 1982. Since the due date fell on a Sunday, the parties

had until Monday April 12, 1982 to take the required action. Allegations of fraud revolve around a Request for Extension of Time (Request) to file the preliminary statement which was filed by Muetterties on April 16, 1982. The Request bore a Certificate of Mailing date of April 12, 1982. Brennan contends that the Request was not actually prepared prior to April 13, 1982 and the Certificate of Mailing was back-dated to April 12, 1982. As the prosecution continued, each party eventually accused the other of fraud.

Evidence Re Brennan's Charge of Fraud

Brennan contends that Robert S. Beiser, attorney for Muetterties, back-dated the Certificate of Mailing (37 CFR 1.8) on the Request (BX 2), filed a false affidavit (BX 11) to the effect that the Request was filed in a "timely manner", and testified falsely at his deposition regarding preparation and mailing of the Request.

Brennan's attorney, Rutherford, received the service copy of the Request on April 16, 1982 in an envelope (BX 3) bearing a postal meter date of April 14, 1982 (BR 1773). The day before, i.e. April 15, Rutherford had received a letter (BX 1) from Muetterties regarding a change of address which came in an envelope (BX 5) bearing a postal meter date of April 13, 1982. Both letters were signed by Beiser and both bore a typed in date of April 12, 1982. BX 1 did not include a Certificate of Mailing. The Request bore a Certificate of Mailing with the date of April 12, 1982 type written and hand written thereon. The certificate was signed by Beiser.

BX 4 is Notice to Muetterties from Brennan informing him that Brennan had filed a preliminary statement. It is dated April 8, 1982 and bears a date received stamp by the Abbott Patent Department of April 13, 1982. The caption of the Request (BX 2) closely resembles the caption on BX 4 and is significantly different from the caption on the letter (BX 1) purportedly typed the same day as the Request.

The Brennan record includes the depositions of a number of Abbott's employees who were questioned concerning their knowledge of the circumstances surrounding the preparation and mailing of the change of address letter (BX 1) and the Request (BX 2) as well as the receipt of Brennan's Notice (BX 4). Those deposed included Robert L. Niblack, Abbott's Patent and Trademark Counsel in April of 1982 but with the law firm of Niblack and Niblack, P.C. at the time of his deposition; Robert S. Beiser, Associate Patent Attorney for Abbott from 1979 to August 1983; Patricia Jane Breyer, secretary for Beiser and his supervisor Hamilton; Matina Stevens, Docket Supervisor; Kristine Mary Kilkelly, Mail Clerk; and Jonathon Lee Sands, Mailroom Supervisor.

Beiser testified that he had very little experience handling interference matters prior to his involvement in this case and had not previously filed a request for an extension of time in an interference. He returned from an eleven day vacation on April 12 and was reminded by his docket clerk that the preliminary statement was due that day. One of the inventors, Andrew Muetterties, was on leave that day so he could not prepare the statement and decided to request an extension of time. He did not consult the interference rules regarding such extensions

but relied on his experience in requesting extensions in ex parte cases. Although he was not certain of the time of day when the Request was prepared, he thinks it was in the afternoon.

Beiser did not know why the captions of the letter (BX 1) and the Request (BX 2) were different but noted that the caption on BX 1 was similar to that used on papers filed in his ex parte practice and that the caption on BX 2 was similar to that which he had used in representing a relative in a civil action in the Circuit Court of Cook County and in the Federal District Court.

He knew that Rutherford was representing Brennan from the time the interference was declared but does not know why BX 1 was addressed to the firm of "Cullen, Sloman, Cantor et al." and BX 2 was addressed to "Charles R. Rutherford Esq." Sometimes he includes the address in his dictation and other times he leaves it up to his secretary to find the address in the file.

Beiser could not say when BX 1 was mailed but knows BX 2 was placed in the Abbott outgoing mail on April 12 because of the Certificate of Mailing thereon (BR 225). Later in his testimony, he said he was confident that the Request was placed in the Abbott outgoing mail on April 12 because he put it there himself on that date (BR 249). Although he was certain that the Request was placed in the Abbott mail system on the 12th of April, he was not confident that it had gotten into the U.S. Mail system on that date. He had heard of delays in the Abbott mail system but had not previously experienced any problems with documents that he had mailed.

By April 22, Beiser had read the rule regarding extensions in interference and contacted Rutherford's office to see if Rutherford would agree to a stipulation for an extension of time. Rutherford was out of the office and in his absence, Beiser talked to Grauer, one of Rutherford's partners. Beiser admits telling Grauer that he was inexperienced in interference matters and that he had not previously represented the senior party, but he denies saying that he did not know the senior party had to file a preliminary statement. As to the affidavit (BX 11) that he filed with the Motion for Reconsideration, Beiser does not know why he used the words "timely manner" instead of a specific mailing date.

Breyer testified that she did not recall typing either the letter (BX 1) or the Request (BX 2) but knows they were typed by her and dictated by Beiser because both of their initials appear thereon. She knows that she typed both documents on the 12th of April because that is the date typed on them. If Beiser dictated the item on the 12th but she did not type it until the 13th, she would have changed the date. She was not aware of any occurrence where a document prepared by Beiser bearing a Certificate of Mailing did not go out in the mail on the date indicated on the certificate. If it did not go out that day, he would tell her to change the date or she would be aware of it and change the date herself (BR 320).

Breyer says the heading (caption and heading are used interchangeably in the testimony) on BX 1 is similar to that which she normally uses on letters and the heading on BX 2 is similar to that which she normally uses on amendments (BR 329). She had not previously prepared a request for an extension of time in an interference and

assumes Beiser had instructed her to include "Board of Patent Interferences" in the heading of the Request (BR 327). She sometimes refers to papers in the file to determine how to prepare the document she is working on. When asked if she used Brennan's Notice (BX 4) to prepare the Request (BX 2) she said "No" on the basis that BX 4 is stamped as received by Abbott on April 13, whereas the Request is dated April 12. She had no explanation as to why the letter (BX 1) dated April 12 was sent in an envelope addressed to the firm of "Cullen, Sloman, Cantor et al" while the Request (BX 2), also dated April 12, was sent in an envelope addressed to "Charles R. Rutherford, Esq." (BR 345). The Brennan Notice was signed by Rutherford and Breyer conceded that if the Notice was in the file when she prepared the Request, she probably would have addressed the envelope containing the Request to Rutherford since he would have signed the last paper in the file that Abbott had received from Brennan (EX 347). She indicated that Beiser may have provided the addresses when he dictated the letter and the Request (BR 347). Breyer had no idea how long it would take an item to leave the Abbott mail system once it leaves her mail tray.

Stevens was in charge of 8000 to 9000 files in April 1982. When the declaration of interference (BX 6) arrived at Abbott, she applied three stamps thereon corresponding to (1) the due dates for filing and notifying the opposition of filing a preliminary statement, (2) serving copies on the opposition and (3) filing motions under 37 CFR 1.231. The due dates were April 11, April 25 and June 11, 1982, respectively. The due dates were entered by Stevens in a calendar of due dates under the appropriate

year, month and day (BX 7). In addition the due dates were set forth in red ink by her on the cover of the Abbott interference file (BX 8). She also had Beiser and his secretary initial the due dates on BX 6. The notes on the right hand side of page 1 of BX 7 indicate that Beiser's secretary was reminded on 3/25, 4/1, 4/8, 4/9 and 4/12 that the preliminary statement and notice to the opposition were due on April 12, 1982. The notes on the left side of said page "Ext. of time req. 4/12/82" and "See 5/12/82" indicate that Stevens was told that a request for a one month extension of time was being prepared and the note "Ext. Sent 4/12" indicates that the request was sent on April 12. A new due date was set on the docket calendar for the preliminary statement under May 11, 1982 (BX 7, page 2) and a note on the right hand side of the entry says "Ext. not approved." A new stamp was applied to BX 6 indicating that the preliminary statement and notice were due 5/11/82. On the Cover of the File (BX 8), Stevens noted "Req. for 1 month extension sent 4/12/82 Preliminary Statement Due 5/12/82". This entry is inserted as a half-line entry above an entry reading "Correction of Address Sent 3/16/82". Regarding the use of the half-line entry, Stevens testified that she wanted to keep the new due date close to the previous due date and said it was not an uncommon practice to do that (BR 420-423). She could not recall that Beiser had been on vacation from April 1-11, 1982 (BR 428). Her testimony as to why Brennan's Notice of Filing a Preliminary Statement (BX 4) dated April 8, was entered on the file cover (BX 8) after Brennan's Motion and Briefs in opposition to the Request dated April 19 and the PTO's denial of the Request dated April 22, was as follows (BR 434 et seq.):

Q. And ask you whether for one you can recognize that particular document.

A. And it is, am I correct, a Notice –

A. Filing by Brennan of Preliminary Statement, right, dated 4-8.

Q. And the receipt date it was received?

A. April 13th.

Q. April the 13th?

A. Um-hum.

Q. On the cover the file it's indicated that there is a receipt of that but it's 4-8-82, is that correct?

A. Correct, being the date that you had signed on your copy.

Q. So that does not reflect the date that it was received?

A. Never, never in this office.

Q. Now, I also note that that entry, that particular entry is made after a number of other entries, specifically a motion, Briefs and opposition to Request For Extension and then a note received by opposition Brennan to one-month extension of time, et cetera, and an indication that all that was accomplished on 4-19-82. Then another item, Paper Number 8, "extension of time denied" and the entry, the date entry for that 4-22-82.

A. Right.

Q. How is it that there is not a – how would you explain the lack of a chronological sequence in regards to the entries on the face of the file?

A. Of the only way at this time that I can logically explain it and which still goes on is many times, especially when we are dealing with outside attorneys who may get papers first as Power of Attorney record attorneys and then forward them to us or the attorney may get it and want to take a look at it before I receive it in the docket office, okay? They may show it to me and say, "Here it is, Tina, but I have to take it back to my office. I am taking this and I am going to hold it. I want to work on it."

In that case, then when he brings it back to me. I will enter it. But in the meantime I may have gotten two or three other actions before I can physically enter that.

Q. So it occasionally happens in the office apparently that you don't get the name (sic, mail) as you are supposed to.

A. I will get it and pull that file for the man, but he may be waiting for it. He may be on the phone with an Examiner or somebody, and he says, "Tina, I need this right back." I have seen it and I know it's here, so if it's something really drastic, I am not going to sweat because I know it is here. But I may not get to enter it at that particular given second.

Q. Is that a case, Miss Stevens, that the file was tied up in the attorney's office? In fact, that you did not receive this back so that you could follow up on your entries?

A. I have had just testified that I would have pulled the file for the attorney and he may have been physically standing right there and said, "Can I have this to work on it a minute?" Or "I have somebody on the phone, and you know,

can I get it back to you?" Yes, that can happen even though I will see it and know it's in.

And many times what I do is make a notation on a piece of note paper and say such and such in, please enter on docket and I put it up on a magnet board so that it reminds me that it is here and I am watching or I will go back and get that file.

Q. Would you say by looking at your cover sheet that you didn't get the file back until sometime after 4-22-82 in order to make the entry regarding the receipt of the Notice of Filing of the Preliminary Statement?

A. It's very possible.

Regarding her knowledge as to the indication on BX 7 and 8 that the Request was sent on April 12, Stevens testified (BR 441 et seq.):

Q. Now, who told you, if you recall, that an extension of time had been, in fact, sent out on that file?

A. They don't tell me. They give me the file back physically. They will bring me the file with whatever action response has been sent to a Patent Office, an outside attorney, attached, in other words, it would come back like this, paper clipped on the outside, and it is put on our work shelf in the Docket Office. Anything that is sent back or returned to us for any given reason is put on our work shelf.

Q. All right, fine.

A. And it's given to us.

Q. Are you able to say who made the indication that the request was made on that day?

A. The request was attached on the outside that day and given to me to recalendar, and I saw that –

Q. Can you tell me who gave you that indication?

A. At this point I believe the secretary brought it back and put it in our office, the file. I can't be absolutely positive it was the attorney or the secretary, but normally I would have to say at this time two years later, it probably was the secretary who returned the file with the Preliminary Statement. I can't be absolutely sure.

MR. HASKELL: With the Request for Extension of time you mean?

THE WITNESS: Right, with the Request For Extension of Time dated 4-12 on the outside.

BY MR. JOSEPH BRENNAN:

Q. The extension of time itself was dated 4/12, is that correct?

A. And that was the day it was brought to me.

Q. And how do you know that that was the date it was –

A. Because –

Q. – brought back?

A. Because the girls know that they are to bring something back to me immediately as they are usually sending it out or preparing it for mailing, they will bring me that file right then physically so we can get it off our dockets and especially in the case of any kind of extension. They know that I am very strict about that and I

am very rigid about my dockets, and I want that physically that time right there that day.

Q. You always rely on the indication on the document itself? If it's a Certificate of Mailing if it says 4-12 that's the date that you use, right?

A. And I make sure that that's the date, yes. If it isn't I question it.

Q. That's the date you use for the purposes of maintaining your docket and making sure everything goes the way it's supposed to go?

A. That's true. Also I double check.

Q. Please ma'am. I am going to ask you to answer my question.

MR. HASKELL: Just a damn minute. You let the witness answer the question.

MR. JOSEPH BRENNAN: She is going way beyond my questions, Counsel.

MR. HASKELL: You let her finish her answer or we leave. (further discussion between the attorneys)

MR. JOSEPH BRENNAN: I am very willing to allow her to answer the questions, very willing.

MR. HASKELL: Would you go back please? Would the reporter go back to the point where the witness was interrupted and let the witness continue the answer? (Answer read back as requested.)

MR. JOSEPH BRENNAN: And I will renew my observation that her answer was given and it was complete.

MR. HASKELL: Will you continue with your answer, Miss Stevens? And I double –

THE WITNESS: As I tried to finish saying, I will also check that the Certificate of Mailing is the day they present it to me. If it is not, I will question why I didn't get it on the day it was presented, which is very rare because the girls know I insist on getting something back immediately as it's sent out of our office.

So I would have questioned if it had not been brought to me on the 12th. I would have questioned why. But it was definitely brought to me on the 12th.

BY MR. JOSEPH BRENNAN

Q. In the same way that you used the date April 8th in regards to your docket entries and Notice of the Filing of Preliminary Statement by Brennan when, in fact, it was received, and we know that from the Abbott stamp up in the corner, on April the 13th?

A. Right. I think what you are trying – are you trying to ask me why I would have been so stringent about entering this sort of action as opposed to the 4-8-82 which you claim is out of chronological order here? Is that what you are saying why I didn't –

BY MR. JOSEPH BRENNAN

Q. No. What I am asking is a very simple question and I will repeat it.

In the same way that you used April the 8th for the purpose of your docketing procedures because it's indicated April the 8th, 1982 doesn't reflect when it was received by the office.

A. No.

Q. It simply has that date on it.

A. Yes.

Q. In the same way that you do that with regards to noting on your docket the receipt of this item –

MR. HASKELL: What's this item?

BY MR. JOSEPH BRENNAN:

Q. I am talking about Brennan Exhibit No. 4. You also would use April 12th on this item to note when anything occurred on this item because it says April the 12th, wouldn't you?

A. Only after ascertaining that it did leave that day, and I received it that day.

MR. HASKELL: The comparison you are trying to make, counsel, is irrelevant because Exhibit No. 4 is a paper from your own office which most docket clerks wouldn't even docket on their docket sheets. So I don't know why you are making, trying to draw the two documents together. They don't relate to each other. One is a document originating from Abbott; the other is a document originating from your side of the case. I don't see why you are trying to make a comparison.

MR. JOSEPH BRENNAN: Counsel, I don't have to satisfy you as to my reasons. All I am trying to establish here is that the date which appears on the face of these documents is the date that she uses when she sets up an indication on the docket, is that not the case?

THE WITNESS: That's correct.

Stevens further testified at BR 455 et seq.:

Q. Miss Stevens, when you have occasion to contact either a secretary or an attorney regarding something that had to be accomplished on the file, say in this instance, the Request for Extension of Time or the filing of a Preliminary Statement by the Senior Party, do you that very same day come back and make sure that everything you said had to be done got done on the file?

A. Do I come become to verify it with the file?

Q. That same day.

A. Yes.

Q. Every time you find yourself in that instance, you come back and double check?

A Oh, yes.

Q. I believe you earlier indicated that you went in in the morning and was told by the secretary, I believe was your testimony, that it was going to be done that day.

A. Yes. The secretaries will always tell me "I am typing it. He is signing it. It's here to be signed. We are mailing it today." And then by noon or thereabouts maybe 1:00, I will verify. If I don't see that file physically on my work shelf, I will go back and ask her "where is this case that you said was going out?" or "When is it going out?" "Did it go out?"

Q. And yet don't we have some reason to believe that the file was not even available to you on the 13th when you received the notice, that is the Junior party's Notice of Filing of the Preliminary Statement?

A. Certainly it wasn't there. It was back on the attorney's desk. I told you he returned it to me or she returned it so that I could extend the calendar to 5-12 and got it right back to them. They wanted it immediately back. So therefore, it was in the attorney's possession, most likely, if he wanted it back. I took it back to him with a docket on it. When I take a calendar out to the attorney or his secretary, it's in their keeping.

Q. So you recall that very same day taking the file back to him?

A. Absolutely.

Stevens testified that the stamp on BX-6 indicating that the time for filing the preliminary statement and notice to the opposing party had been extended to 5-11-82 was placed thereon on April 12, 1982 (BR 479). In response to Interrogatory No. 5 from Brennan, Muetterties had previously stated that said stamp was made "on or shortly after April the 12th 1982. Exact date is not known." (BX 34).

Kilkelly testified that she picks up the mail three times a day – 8:30 a.m., 11:00 a.m., and 3:00 p.m. She says that the mail is heavier at 8:30 a.m. and at 3:00 p.m. than at 11:30 a.m. (BR 606-607). Monday is a heavy mail day and sometimes mail picked up one day is not metered until the next day, according to Kilkelly (BR 616).

Sands testified that normally a letter placed in the outgoing mail of Abbott's Legal Department on April 12, 1982 would be meter stamped and placed in the U.S. Mail system the same day (BR 705-706). He is aware that on three or four occasions, in his fifteen years in Abbott's mailroom, mail has been overlooked and not moved

through the Abbott mail system into the U.S. Mail System within 24 hours (BR 709-710). He can tell that BX 3 and BX 5 were meter stamped at Abbott by the meter number "687 945" (BR 712-713). He would assume that BX 3 was placed in Abbott's outgoing mail on April 14, 1982 and that BX 5 was placed therein on April 13, 1982 (BR 713). On Tuesdays, he advances the meter one day for part of the day while stamping envelopes containing checks for accounts payable. These envelopes are held back and placed in the U.S. Mail system on Wednesday. With regard to this procedure. Sands testified as follows (BR 720 et seq)

> Q. Who is responsible for changing the postage meter date on a day-to-day basis?
>
> A. I am.
>
> Q. When it comes time to do that check run, are you the one also to alter that date?
>
> A. Yes, I am.
>
> Q. Does anybody else change the date?
>
> A. Not unless I am gone.
>
> Q. Generally that's your responsibility?
>
> A. (Witness nodding.)
>
> Q. Are you sensitive in your employment and having that responsibility to whether that date reflects, that is the postage meter date, actually reflects the date of the stamping? That is to say, if it was the 13th and you had a letter that was going out on the 13th, would you ordinarily, unless you are in this check run mode, be concerned about the postage meter stamp reflecting the fact that that item went out on the 13th?

A. Yes.

Q. You indicated that it was possible that an item placed into Abbott Legal Lab's outgoing mail bin sometime late in the day on the 12th, so that it might not have been dealt with until the 13th in the mailroom, you indicated that it was possible that that item might have gotten run with the checks. Do you have an opinion, sir, as to whether that is likely?

A. It's very likely because sometimes I ran nearly the whole day on that day without changing it because I had forgot that I had did it. Something comes up. If you have ever been down there, it's havoc. It's too small, too many things going on. It's very easy to forget.

Q. Would the check envelopes that you would be postage stamping on the 13th, if in fact on the 13th you did, as you indicated you often did on Tuesdays in 1982, would the envelopes have been identical to those envelopes?

A. No.

Q. They are different?

A. It's a possibility some of those could be in there. You see, the majority of them are window envelopes, but –

Q. The check envelopes are window envelopes?

A. Right. But there are a few of them, you know, that are like this that are separate.

Q. Do you get the check envelopes in one big bundle from a specific office or operation in this building?

A. Not in this building. She comes from a different building. But she brings them here, yes, one person brings them.

Q. So that would be one large bundle of mail and they would be window envelopes, and they would be, have checks in them, I presume?

A. The window envelopes are usually in boxes, but then she has several bundles rubber banded which we take and separate and put in different groups.

Q. At any rate, that would be one specific group or influx of mail into your office typically, is that true?

A. Right.

Q. Those particular items of mail that are stamped on a Tuesday to go, in such a way that they are predated as far as the postage stamps is concerned, are they held for mailing until the following day?

A. Yes, they are.

Q. Then as far as the items, the other items that you would receive on a typical Tuesday in 1982, you would have the check run, which you would hold back and not put in the mail until the following day, and then you have the regular mail that came into your mailroom which would, in fact, get into the U.S. Mail on that Tuesday, is that correct?

A. Right. These are run, and then they are put in a bag by theirselves.

Q. In the normal course of your operation on your typical Tuesday in 1982, when you ran the

checks through the postage meters, was that done all at one time?

A. Yes.

Q. That is, would it be one occasion when you would go over to the machine and you would run those and then you would be done with that job, and then you would concern yourself with other things?

A. Right, but I would be running other mail before and after because we have one table and it's all there.

Q. But these things are held apart because they are not going to be put in the U.S. Mail the same day?

A. Right. I know which ones are which.

Q. In the normal course of your operations down there on the normal Tuesday in 1982, would you after you got done with your check run then return the meter stamp to reflect the date that you, in fact, are dealing with?

A. Normally, yes.

The above Abbott employees were deposed by Brennan on February 8 and 9, 1984. On the morning of March 6, 1984, after being contacted by Brennan in late February or early March, Lyndal L. Shaneyfelt, a disputed documents expert, examined the ribbon copy of the Request (BX 2) at the Board of Patent Interferences in the presence of counsel for Brennan and Muetterties. Shaneyfelt was requested by Brennan to examine the last paragraph of the Request and give an opinion as to what word or letters were originally typed under the word "request" in said paragraph (BR 390). Shaneyfelt determined that the

original word was "notice" (BR 391). Shaneyfelt averred (BR 391-392);

> 10. That in my opinion and based upon my examination of said document I found a clear indented impression of the original word "notice" on the paper. Such a clear and deep indentation is expected as the word "notice" had to have been struck onto the paper twice in order to use the lift-off tape correction system, once when originally typed and once again to cause the tape to lift-off the carbon originally deposited by the ribbon on the first strike.
>
> 11. That in my opinion and based upon my examination of said document I have determined to my complete satisfaction and certainly that the original word typed in that area of the document now occupied by the word "request" was the word "notice".

Shaneyfelt took photographs of the area of the document in question. They are included as exhibits 2 and 3 of his affidavits. In the photographs, the area is magnified several times to clearly illustrate the indented impressions of the original word "notice" which appear under the word "request".

Inge R. Minuth, secretary for Niblack in 1982, was called on April 4, 1984 as a rebuttal witness by Muetterties. As noted above, Niblack was Patent and Trademark Counsel at Abbott in April 1982 and was in charge of the Patent Department which employed about seven patent attorneys including Beiser and his supervisor, Hamilton (BR 206). Niblack was Beiser's second level supervisor (BR 131). Once of Minuth's duties was to open the mail coming into the Abbott Patent Department. As she opens

each piece of mail, she applies the Patent Department date received stamp thereto. Sometimes others go through the mail and take some of it before she has a chance to stamp it in. In this regard, she testified (MR 364);

> Q. Do you observe whether – can you tell from your own observations whether you get all the mail that's delivered by the Mail Department to the Patent Department immediately?
>
> A. Not all the mail. Often attorneys have a chance to look through the mail and take some mail out. And at this point, I would receive it later.
>
> Q. You observed that happen?
>
> A. Yes.
>
> Q. Are you familiar with Mr. Robert Beiser?
>
> A. Yes. He was one of the frequent offenders.
>
> Q. You say offenders. I take it from that that you imply that that was not supposed to be done.
>
> A. No, it was not
>
> Q. Do you attempt to stop that process? Do you chastise attorneys?
>
> A. Yes I do and other secretaries do and sometimes it helps for a few days, but then it gets back to the old habit.
>
> Q. It's a hard habit to break isn't it?
>
> A. Yes.

Q. Apart from your observing this happen, do you, from time to time, have people bring documents to you and say this has been received and not date stamped?

A. Yes.

Q. That would sort of confirm your previous observation, obviously.

A. That is correct. Matina Stevens may bring something back. She is the supervisor of the docket area. Or a secretary may bring a document that has not been stamped or an attorney

Q. And when that happens, what date stamp do you apply at that point?

A. The date stamp that I use on that date.

Q. The stamp would be – you would stamp it as received on that day that it was presented to you?

A. That is right.

She has no recollection of receiving the Notice of Filing of Preliminary Statement by Brennan (BX 4). It bears a stamp in the upper right hand corner which reads "Abbott Laboratories, Patent Department, April 13, 1982." Minuth says she does not know when it was received and can only testify that she stamped it on the 13th (MR 367). She does not know whether Beiser would have opened mail addressed to Niblack (MR 372).

Opinion Re Fraud by Muetterties et al.

Brennan has the burden of proof on this question. He must establish his case for fraud by clear and convincing

evidence. *Norton v. Curtiss*, 433 F.2d 779, 167 USPQ 532 (CCPA 1970); *Lund v. Bentley*, 188 USPQ 9 (Bd. Pat. Int. 1974). The type of activity before the PTO which is proscribed is broader than common law fraud and is more accurately referred to as "inequitable conduct." *J.P. Stevens & Co., Inc. v. Lex Tex., Ltd., Inc.* 747 F.2d 1533, 223 USPQ 1089 (Fed. Cir. 1984). Inequitable conduct requires proof by clear and convincing evidence of a threshold degree of materiality and a threshold intent. *J.P. Stevens & Co., supra.* If Beiser back-dated the Certificate of Mailing on the Request (BX-2) or falsely stated in his affidavit (BX 11) that the Request was mailed in a "timely manner", the threshold level of intent would be met. The Commissioner accepted the Muetterties Preliminary Statement (Paper No. 42, Page 5) based on the Certificate of Mailing and Beiser's affidavit. The activity thus would meet the threshold degree of materiality in that Muetterties would otherwise have been restricted to his filing date for priority purposes pursuant to 37 CFR 1.223(c).

On page 20 of his brief, Muetterties states:

> First, Muetterties acknowledges that the Muetterties Request paper looks like it may have been modeled after the Brennan Notice paper; and although it is not necessarily so, for purposes of this description we will assume that the Notice was used as a guide for the Request.

Brennan's Notice (BX 4) was signed by Rutherford and the caption thereon closely resembles the caption on the Request (BX 2). The last paragraph of the Notice (BX 4) reads, "[a] copy of the notice is being sent to counsel for Muetterties et al." The last paragraph of the Request (BX 2) reads, "[a] copy of this request is being sent to

counsel for Brennan." Shaneyfelt is deemed to have established that the word "request" in the last paragraph of BX 2 was inserted after the word "notice", originally typed at that location, was deleted. The Request was mailed in an envelope (BX 3), bearing an April 14, 1982 postal meter stamp, addressed to "Charles R. Rutherford, Esq.", whereas, the letter (BX 1) purportedly typed the same day, April 12, 1982, was mailed in an envelope (BX 5), bearing an April 13, 1982 postal meter stamp, addressed to the law firm of "Cullen, Sloman, Cantor et al." In our view, the evidence establishes that Beiser and/or Breyer used the notice (BX 4) as a guide in preparing the Request (BX 2).

Even though the Notice (BX 4) bears an Abbott date received stamp of April 13, 1982, Muetterties argues that Beiser could have used it as a guide in preparing the Request (BX 2) on April 12, 1982. He says that since Beiser was a frequent offender of the Abbott Patent Department rule of not taking the incoming mail before the date received stamp was applied by Minuth, he probably found the Notice in the incoming mail on April 12, took it back to his room, prepared the Request using the Notice as a guide and returned the Notice to Minuth on the 13th.

It seems unlikely to us that Beiser would have been rummaging through the incoming mail looking for something to do just after returning to work on Monday, April 12 from an eleven day vacation. The certificate of service on the Notice (BX 4) states that the envelope which contained the Notice was addressed to "Robert L. Niblack, Esq.", Beiser's second level supervisor. Minuth said she did not know if Beiser would open mail addressed to Niblack. There was no testimony from

Beiser regarding what, if any, mail he routinely took before Minuth could place a date received stamp thereon. There was no testimony by Beiser, Breyer or Stevens to indicate that the April 13, 1982 receipt noted on BX 4 might not be accurate. Also, there was no indication in the answer to Interrogtory No. 6 (BX 34) to indicate that the receipt date noted on the Notice might be in error. It was only after Shaneyfelt determined that the word "notice" had been changed to "request" in the last paragraph of BX 2 that anyone at Abbott suggested that BX 4 may have been received prior to April 13, 1982. We are not persuaded by the arguments of Muetterties or the testimony of Minuth that BX 4 was received in the Abbott Patent Department prior to the April 13, 1982 receipt date stamped thereon.

Since we have found that Beiser used BX 4 as a guide in preparing the Request and that the Abbott receipt date thereon is accurate, it follows that we consider the testimony of Beiser to the effect that he prepared and placed the Request in the Abbott mail system on April 12, 1982 to be incredible. Breyer could not recall typing either the letter (BX 1) or the Request (BX 2). Her testimony to the effect that she would have changed the date if the Request was not typed and mailed on the 12th is deemed to be mere speculation on her part. Stevens could not recall that Beiser had been on vacation from the 1st to the 11th of April, could not recall who brought the case to her with the Request in it and yet purportedly could recall that she saw the Request on April 12. However, she conceded that the entries on the face of the file (BX 8) reflect the date shown on the face of the document referenced. This practice is exemplified by Brennan's Notice

(BX 4) dated 4/8/82 and entered on the file after papers dated 4/19/82 and 4/22/82. Also, the entry "Preliminary Statement filed in P.O. 4/18/82" reflects the date on the first page of the Muetterties Preliminary Statement (Paper No. 14); however, the second page of that Preliminary Statement shows that it was not signed until April 26, 1982, the same day it was actually filed in the PTO. In addition, Stevens' testimony as to when the stamp indicating an extension to 5/11/82 for filing the preliminary statement was placed on BX 6 is inconsistent with the answer to Interrogatory 5 (BX 34). Whereas, Stevens testified that she placed the stamp thereon on April 12, 1982, the answer to the interrogatory is "[o]n, or shortly after April 12, 1982, exact date is not known." In view of the above, we conclude that Stevens' testimony to the effect that she saw the Request on April 12, 1982 is erroneous. While she may well believe that she saw it on that day, based on the record before us, we are convinced that she did not.

We note that Muetterties contends that the April 14, 1982 postal meter date on BX 3 can be explained along the following lines. Beiser put the Request in the Abbott mail system after the last pick up on the 12th of April or, due to the heavy mail load on Mondays, the envelope containing the Request did not get metered until Tuesday the 13th at which time it got caught up with the envelopes containing the checks for accounts payable, which were post dated with the April 14, 1982 postal meter date.

Based on the evidence of record we see no reason to believe that the envelope containing the Request was not processed through the Abbott mailroom in the normal fashion. Sands said he would assume by the date on BX 3

that it was meter stamped on April 14, 1982. He said he is careful not to get other mail mixed in with the Tuesday check run. We are convinced that the Request was picked up by Kilkelly on the 14th and meter stamped by Sands on the same day.

We note, however, that even if we accept the Muetterties explanation, the earliest that BX 3 could have been dated was April 13, 1982. Since the due date was April 12, Beiser's affidavit was false in averring that the Request had been mailed in a "timely manner."

Accordingly, we hold that Beiser prepared the Request (BX 2) no earlier than April 13, 1982 and back-dated the Certificate of Mailing to April 12, 1982 and falsely stated in his affidavit (BX 11) that the Request had been mailed in a "timely manner." Either the back-dating or the false affidavit would be sufficient to constitute inequitable conduct on behalf of Muetterties with the result that neither Muetterties nor Muetterties et al can be awarded priority in these interferences.

Evidence Re Muetterties' Charge of Fraud

Brennan filed an opposition (Paper Nos. 10 and 11) to the Request in which he included his own affidavit (BX 30) and that of Rutherford (BX 31). The affidavits referred to Exhibits 1-7. Of those exhibits, Exhibits 1 and 3-7 correspond to MX 217 herein. Exhibit 7 (MX 7) was a copy of the envelope (BX 3) which contained Brennan's service copy of the Request. The postal meter mark is not legible on the exhibit. In paragraph 11 of his affidavit (BX 31), Rutherford averred that "the letter was postmarked April

14, 1982 on postage meter 687945, North Chicago, Illinois."

Muetterties contends that the postal meter mark on MX 7 was deliberately obliterated; that such alteration is a fraudulent act; and that the Brennan witnesses have testified falsely to cover up their improper conduct.

Rutherford testified, in effect, that he opened the envelope containing the Request on Saturday April 17, 1982 in the presence of Brennan, made copies of the contents and the envelope and attached the envelope to the contents (BX 1773). Brennan (a lawyer) prepared the opposition and the affidavits over the weekend and on Monday, April 19, 1982, he met with Rutherford. At that time, Rutherford took the copies which were made on the 17th, wrote the exhibit number on them and made further photocopies which were submitted with the affidavits filed in the PTO and served on Muetterties (BX 1781-2).

Muetterties took the deposition of John E. Cox, Field Service Manager for the Xerox Corporation. Cox testified that the copy machine used by Rutherford, Xerox Model 5600, normally reproduces the color red with only a slight degradation in quality (MR 817).He considers the quality of the copies (MX 2-7) to be very good and would expect the red postal meter mark to be very legible (MR 847-848). There are marks on MX 7 which, Cox says, match up with staple holes in BX 3 (MX 833). The copy (MX 6) of the contents of BX 3 does not show any marks which indicate that it had staples in it prior to the time the copy was made (MR 835). MX 7 has an angled line in the upper left corner in the area of the postal meter mark. According to Cox, that angled line looks like the shadow

of the edge of a piece of paper that was attached to the envelope and was folded back over it (MR 831).

Muetterties argues (Brief, Pages 26 and 27):

> Cox's testimony makes it very clear that Rutherford's testimony is false. Rutherford testified that the alleged first generation photocopy of the envelope, i.e. MX-7, was made at the time the envelope was opened, and before it was stapled to the contents sheet, or stapled to anything else. In fact it is quite evident from Cox's testimony (indeed it is self evident from the exhibits before the Board) that before the alleged first generation copy of the envelope was made, the envelope *had been stapled* to something, *unstapled*, and again *restapled*. It is also quite clear, contrary to Rutherford's testimony, that the envelope had been handled quite differently from the contents sheet at the time of the respective alleged first generation copying, since the alleged first generation photocopy of the content sheets shows no indication of staples or staple holes in the original contents sheet. (Emphasis in original)
>
> *The inference is apparent:* the red postage meter mark disappeared during the stapling and unstapling machinations to which the envelope had obviously been subjected. (Emphasis in original).

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The testimony by Cox is deemed to establish that the envelope (BX 3) was stapled to and unstapled from something before it was photocopied. Thus, Rutherford's testimony to the effect that MX 7 was made before the

envelope was stapled to the contents appears to be inaccurate. At least, the envelope had been stapled to something before it was photocopied. It has not been established whether that something was the contents. Nevertheless, we find nothing in Cox's testimony to support the argument of Muetterties to the effect that the stapling and unstapling caused the red postal meter mark to be illegible on MX 7. Cox testified that the 5600 machine "normally" reproduces the color red and he said he would have expected the mark to be "very legible", but he did not say that the stapling and unstapling in any way caused the postal meter mark to be illegible. The only conclusion we can reach from the evidence is that the machine was not properly reproducing the color red when MX 7 was made. Moreover, since Rutherford stated the date, April 14, 1982, and the meter number in his affidavit, it is not seen how the faintness of the meter mark on the exhibit attached to his affidavit could possibly be interpreted as an attempt to defraud Muetterties or the PTO.

Accordingly, we find that Muetterties has failed to establish fraud or inequitable conduct on the part of Brennan.

Priority

Although Muetterties cannot prevail in either of the involved interferences due to the above holding of inequitable conduct on behalf of Muetterties, we will, for the sake of completeness, consider the priority issues raised by the parties in their respective briefs.

As the junior party whose application was copending with the application which matured into the senior party's patent, the burden is on Brennan to prove his case for priority by a preponderance of the evidence. *Peeler v. Miller,* 535 F.2d 647, 190 USPQ 117 (CCPA 1976).

Brennan concedes that Muetterties (sole) was first to conceive and reduce to practice the species with the air barrier located between the ends of the secondary tube as set forth in count 3 of the '078 interference (Main brief, Pages 5-6). Brennan says he was the first to conceive and reduce to practice the species with the air barrier located between the ends of the common tube as called for in count 6 of the '817 interference. He argues that Muetterties is not entitled to priority as to counts generic to both species in view of Muetterties' testimony to the effect that even as late as the date of his deposition he did not believe that the species with the air barrier located between the ends of the common tube would operate so as to resume the preset rate of flow of the primary liquid following administration of the secondary liquid as called for by all of the counts in issue. Brennan takes the position (Reply brief, Page 14) that, on the basis of the priority issue alone, neither party should be awarded priority of a generic claim covering placement of the air barrier anywhere in the secondary flow path.

Interference No. 101,078

As noted above, Brennan concedes, and in our view the evidence clearly supports, prior conception and reduction to practice by Andrew J. Muetterties of the species with the air barrier mounted between the ends of

the secondary tube. All of the counts in Interference No. 100,078 call for the air barrier to be placed in the "secondary liquid flow path." Thus, all of the counts read on the species of the invention first conceived and reduced to practice by Muetterties. Brennan has not cited, and we are not aware of, any authority which supports his argument that neither party should be awarded the subject matter in the generic counts. Accordingly, Muetterties would, on the basis of inventive acts alone, be entitled to priority as to all of the counts in the '078 interference. *Miller v. Walker,* 214 USPQ 845 (Bd. Pat. Int. 1982).

Interference No. 100,817

Neither party has submitted any evidence of an actual reduction to practice as to counts 3 and 4. Brennan does not allege diligence as to the subject matter in counts 3 and 4 from a time prior to the Muetterties et al. filing date. Accordingly, Muetterties et al. would be entitled to priority of the subject matter in counts 3 and 4 of Interference No. 100,817 on the basis of their earlier filing date [37 CFR 1.257(a)].

Regarding count 6, Brennan alleges conception and reduction to practice in September 1977. We agree with Muetterties (Brief, Page 11) that Wyatt fails to corroborate Brennan's testimony as to the purported conception and reduction to practice. Wyatt's main interest during the testing procedure was in the action of the .22 micron filter, and it is not at all clear that he paid any particular attention to the change in flow rate upon depletion of the secondary container. Certainly he did not testify that the primary "resumed at the preset rate" as required by the

count. We further note, as pointed out in the paragraph bridging pages 8 and 9 of Brennan's Reply Brief, that the secondary container used in the test was an unvented collapsible bag and, therefore, no air could enter the secondary flow path upon depletion of the secondary container. Thus, the air barrier located in the common tube was not tested in its intended functional setting to show that it would prevent the flow of air therethrough after said secondary had been depleted as required by the count. Since the testing relied by Brennan did not meet all of the limitations of the count, it cannot be properly relied upon for a reduction to practice. *Fredkin v. Irasek*, 397 F.2d 342, 158 USPQ 280 (CCPA 1968), *cert. denied*, 393 U.S. 980, 159 USPQ 799 (1968).

Brennan did not argue priority on the basis of diligence from a time prior to conception by Muetterties to his own filing date. Accordingly, we will not consider that issue even though Muetterties has argued a lack of such diligence on the part of Brennan.

Also the issue of suppression or concealment, argued by Muetterties, does not arise in the absence of a reduction to practice. *Peeler v. Miller*, 535 F.2d 647, 190 USPQ 117 (CCPA 1974).

Award of Priority

Priority of invention of the subject matter in counts 1 to 14 of Interference No. 101,078, all of the counts in issue, is awarded to John F. Brennan, the junior party.

Priority of invention of the subject matter in counts 3, 4 and 6 of Interference No. 100,817, all of the counts in issue, is awarded to John F. Brennan, the junior party.

APPENDIX K

CONSTITUTIONAL PROVISIONS INVOLVED

Constitution of the United States

Here are set forth, successively, Article I, Section 8, Clause 8 of the Constitution; Article VI, Clause 2 of the Constitution; and, the full text of the First Amendment.

Article I, Section 8, Clause 8:

> To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

Article VI, Clause 2:

> This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

First Amendment

> Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances.

APPENDIX L

STATUTORY PROVISIONS INVOLVED

Here are set forth § 1, § 31, § 101, § 131, § 132, § 133, § 134, § 135 and § 146 of Title 35 of the United States Code, as amended.

35 U.S.C.A. § 1

The Patent and Trademark Office shall continue as an office in the Department of Commerce, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.

35 U.S.C.A. § 31

The Commissioner, subject to the approval of the Secretary of Commerce, may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent and Trademark Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

35 U.S.C.A. § 101

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful

improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C.A. § 131

The Commissioner shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor.

35 U.S.C.A. § 132

Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Commissioner shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No amendment shall introduce new matter into the disclosure of the invention.

35 U.S.C.A. § 133

Upon failure of the applicant to prosecute the application within six months after any action therein, of which notice has been given or mailed to the applicant, or within such shorter time, not less than thirty days, as fixed by the Commissioner in such action, the application shall be regarded as abandoned by the parties thereto, unless it be shown to the satisfaction of

the Commissioner that such delay was unavoidable.

35 U.S.C.A. § 134

An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Appeals, having once paid the fee for such appeal.

35 U.S.C.A. § 135

(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Commissioner shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the Patent and Trademark Office.

(b) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in

any application unless such a claim is made prior to one year from the date on which the patent was granted.

(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of

good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act.

(d) Parties to a patent interference, within such time as may be specified by the Commissioner by regulation, may determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9 to the extent such title is not inconsistent with this section. The parties shall give notice of any arbitration award to the Commissioner, and such award shall, as between the parties to the arbitration, be dispositive of the issues to which it relates. The subsection shall preclude the Commissioner from determining patentability of the invention involved in the interference.

35 U.S.C.A. § 146

Any party to an interference dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided. In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the

terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.

Such suit may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same state, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs. The Commissioner shall not be a necessary party but he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene. Judgment of the court in favor of the right of an applicant to a patent shall authorize the Commissioner to issue such patent on the filing in the Patent and Trademark Office of a certified copy of the judgment and on compliance with the requirements of law.

APPENDIX M

RULES OF PRACTICE IN PATENT CASES INVOLVED

Here are set forth § 1.56 and § 1.616 of the Rules of Practice in Patent Cases, as amended, found in Part 1 of Title 37 of the Code of Federal Regulations.

37 C.F.R. § 1.56:

(a) A duty of candor and good faith toward the Patent and Trademark Office rests on the inventor, on each attorney or agent who prepares or prosecutes the application and on every other individual who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application. All such individuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application. Such information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent. The duty is commensurate with the degree of involvement in the preparation or prosecution of the application.

(b) Disclosures pursuant to this section must be accompanied by a copy of each foreign patent document, non-patent publication, or other non-patent item of information in written form which is being disclosed or by a statement that the copy is not in the possession of the person making the disclosure and may be made

to the Office through an attorney or agent having responsibility for the preparation or prosecution of the application or through an inventor who is acting in his or her own behalf. Disclosure to such an attorney, agent or inventor shall satisfy the duty, with respect to the information disclosed, of any other individual. Such an attorney, agent or inventor has no duty to transmit information which is not material to the examination of the application.

(c) Any application may be stricken from the files if:

(1) An oath or declaration pursuant to § 1.63 is signed in blank;

(2) An oath or declaration pursuant to § 1.63 is signed without review thereof by the person making the oath or declaration;

(3) An oath or declaration pursuant to § 1.63 is signed without review of the specification, including the claims, as required by § 1.63(b); or

(4) The application papers filed in the Office are altered after the signing of an oath or declaration pursuant to § 1.63 referring to those application papers.

(d) No patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or gross negligence. The claims in an application shall be rejected if upon examination pursuant to 35 U.S.C. 131 and 132 [35 U.S.C.A. §§ 131, 132], it is established by clear and convincing evidence (1) that any fraud was practiced or attempted on the Office in connection with the

application, or in connection with any previous application upon which the application relies, or (2) that there was any violation of the duty of disclosure through bad faith or gross negligence in connection with the application, or in connection with any previous application upon which the application relies.

(e) The examination of an application for compliance with paragraph (d) of this section will normally be delayed until such time as:

(1) All other matters are resolved, or

(2) Appellant's reply brief pursuant to § 1.93(b) has been received and the application is otherwise prepared for consideration by the Board of Patent Appeals and Interferences, at which time the appeal will be suspended for examination pursuant to paragraph (d) of this section.

The prosecution of the application will be reopened to the extent necessary to conduct the examination pursuant to paragraph (d) of this section including any appeal pursuant to § 1.191. If an appeal has already been filed based on a rejection on other grounds, any further rejection under this section shall be treated in accordance with § 1.93(e).

(f) Any member of the public may seek to have an application stricken from the files pursuant to paragraph (c) of this section by filing a timely petition to strike the application from the files. Any such timely petition and any accompanying papers will be entered in the application file if the petition and accompanying papers (1) specifically identify the application to which the petition is directed, and (2) are either

served upon the applicant in accordance with § 1.248, or filed with the Office in duplicate in the event service is not possible. Any such petition filed by an attorney or agent must be in compliance with § 10.18.

(g) A petition to strike an application from the files submitted in accordance with the second sentence of paragraph (f) of this section will be considered by the Office. An acknowledgement of the entry of such a petition in a reissue application file will be sent to the member of the public filing the petition. A member of the public filing such a petition in an application for an original patent will not receive any communications from the Office relating to the petition, other than the return of a self-addressed postcard which the member of the public may include with the petition in order to receive an acknowledgement by the Office that the petition has been received. The Office will communicate with the applicant regarding any such petition entered in the application file and may require the applicant to respond to the Office on matters raised by the petition. The active participation of the member of the public filing a petition pursuant to paragraph (f) of this section ends with the filing of the petition and no further submission on behalf of the petitioner will be acknowledged or considered unless such submission raises new issues which could not have been earlier presented, and thereby constitutes a new petition.

(h) Any member of the public may seek to have the claims in an application rejected pursuant to paragraph (d) of this section by filing a timely protest in accordance with § 1.291. Any

such protest filed by an attorney or agent must be in compliance with § 10.18.

(i) The Office may require applicant to supply information pursuant to paragraph (a) of this section in order for the Office to decide any issues relating to paragraphs (c) and (d) of this section which are raised by a petition or a protest, or are otherwise discovered by the Office.

(j) If any disclosure pursuant to this section does not include a copy of each foreign patent document, non-patent publication, or other non-patent item of information in written form which is being disclosed or a statement that a copy thereof is not in the possession of the person making the disclosure, applicant will be so notified and given a period of time within which to file the copy or a statement that a copy is not in the possession of the person making the disclosure. The time period set may be extended under § 1.136.

37 C.F.R. § 1.616:

An examiner-in-chief or the Board may impose an appropriate sanction against a party who fails to comply with the regulations of this part or any order entered by an examiner-in-chief or the Board. An appropriate sanction may include among others entry of an order:

(a) Holding certain facts to have been established in the interference;

(b) Precluding a party from filing a motion or a preliminary statement;

(c) Precluding a party from presenting or contesting a particular issue;

(d) Precluding a party from requesting, obtaining, or opposing discovery; or

(e) Granting judgment in the interference.

APPENDIX N

FORMER RULES OF PRACTICE IN PATENT CASES

Here are set forth § 1.257(a), § 1.259 and § 1.287(d)(2) of the Rules of Practice in Patent Cases, formerly found in Part 1 of Title 37 of the Code of Federal Regulations.

37 C.F.R. § 1.257(A):

(a) The parties to an interference will be presumed to have made their inventions in the chronological order of the filing dates of their applications for patents involved in the interference or the effective filing dates which such applications have been accorded; and the burden of proof will rest upon the party who shall seek to establish a different state of facts.

37 C.F.R. § 1.259:

The Board of Patent Interferences may, either before or concurrently with their decision on the question of priority, but independently of such decision, direct the attention of the Commissioner to any matter not relating to priority which may have come to their notice, and which in their opinion establishes the fact that no interference exists, or that there has been irregularity in declaring the same, or which amounts to a bar to the grant of a patent to either of the parties for the claim or claims in interference. The Commissioner may suspend the interference and remand the case to the primary examiner for his consideration of the matters to which attention has been directed if such matters have not been considered before by the examiner, or take other appropriate action. If the case is not so remanded, the primary examiner will, after judgment on priority, consider such

matters, unless the same shall have been previously disposed of by the Commissioner.

37 C.F.R. § 1.287(D)(2):

(2) Any failure to comply with an order under the provisions of paragraph (c) of this section may be considered by the Board of Patent Interferences as basis for applying appropriate restrictions against the party failing to comply, for holding certain facts to have been established, and in an appropriate case for awarding priority against him, or for taking such other action as may be deemed appropriate.

APPENDIX O

LEGISLATIVE HISTORY

Here are set forth excerpts from S. Rep. No. 1979, 82d Cong., 2d Sess., *reprinted in* 1952 U.S. Code Cong. & Admin. News 2394; S. Rep No. 2169, 87th Cong., 2d Sess., *reprinted in* 1962 U.S. Code Cong. & Admin. News 3286; and, 130 Cong. Rec. H10,525 (daily ed. Oct. 1, 1984), *reprinted in* 1984 U.S. Code Cong. & Admin. News 5827.

S. Rep. No. 1979, 82d Cong., 2d Sess., *reprinted in* 1952 U.S. Code Cong. & Admin. News 2394, 2397:

. . . .

> This law continued in force until 1836 when the dissatisfaction with the granting of patents without any examination as to novelty or other matters led to the appointment of a select committee by the Senate which introduced a bill that became the new law which was enacted on July 4, 1836. This new law contains the fundamental principles of our present patent law. It created a Patent Office with a Commissioner of Patents at the head, and examiners with the function of examining applications for patents and with the power to refuse patents, which was not present in the previous law. The law had many other provisions in it relating to details of procedure, enforcement of patents, and matters of that sort.
>
> Amendments were made to this act of 1836 at various times until 1870 when the law was completely revised in the manner above referred to.
>
> The present bill in a sense, then, is the second revision and codification of the patent laws.

A detailed description of the provisions of H.R. 7794 as set forth in House Report No. 1923, Eighty-second Congress, is as follows:

Although the principal purpose of the bill is the codification of title 35, United States Code, and involves simplification and clarification of language and arrangement, and elimination of obsolete and redundant provisions, there are a number of changes in substantive statutory law. These will be explained in some detail in the revision notes keyed to each section which appear in the appendix of this report. The major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271.

The bill divides the statutes into three parts. The first part contains the sections of the law relating to the Patent Office generally, its powers and duties and some ancillary matters of that kind. The second part consists of the sections relating to the conditions under which a patent may be obtained and the procedure in obtaining patents. The third part contains the sections relating to the patents themselves and the protection of rights under patents, and matters relating to that phase of the subject.

S. Rep. No. 2169, 87th Cong., 2d Sess., *reprinted in* 1962 U.S. Code Cong. & Admin. News 3286:

. . . .

The purpose of this bill is to amend the patent laws to require the filing in the Patent Office of agreements settling patent interference proceedings. When two or more applicants claim substantially the same invention an interference is declared in order to determine which

applicant is entitled to priority. Interference proceedings may be terminated in a manner hostile to the public interest by using patent interference settlement agreements as a means of restricting competition. To make such a practice more difficult the bill requires the filing of such agreements in the Patent Office.

130 Cong. Rec. H10,525 (daily ed. Oct. 1, 1984), *reprinted in* 1984 U.S. Code Cong. & Admin News 5827, 5836-37:

TITLE II: PATENT AND TRADEMARK OFFICE PROCEDURES

Board of Patent Appeals and Interferences

Sections 201-207 of the bill amend section 7 of title 35, United States Code, to combine the Board of Appeals and the Board of Patent Interferences of the Patent and Trademark Office into a single Board, i.e., the Board of Patent Appeals and Interferences. This is accomplished by eliminating all references to either the existing Board of Appeals or the Board of Patent Interferences.

Section 202 of the bill amends section 135 of title 35, United States Code, to permit the Board of Patent Appeals and Interferences to consider all patentability issues on interferences.

At present, if two or more inventors claim the same patentable invention, the Patent and Trademark Office is required to determine "priority"; that is, who was the first inventor. The administrative proceedings to determine priority in the Patent and Trademark Office are known as "interference proceedings." Under existing law, the Board of Patent Interference is

not authorized to consider all questions of patentability when determining priority. The Board of Patent Interferences can consider only priority and other issues which have been held to be "ancillary to priority." For example, it has been held that the Board of Patent Interferences does not have jurisdiction to decide whether a claim in an application of a patent is patentable over prior art (see e.g., Glass v. DeRoo, 239 F.2d 402 (CCPA 1956)). This restriction on the Board's jurisdiction unduly complicates the process for obtaining a patent based on an application which becomes involved in an interference. In addition, determining whether an issue is ancillary to priority is a difficult and lengthy endeavor (see e.g., Tofe v. Winchell, 645 F.2d 58 (CCPA 1981); Hester v. Allgeier, 646 F.2d 513 (CCPA 1981); and Magdo v. Kooi, 699 F.2d 1325 (Fed.Cir.1983)). The longest interference took over 13 years in the Patent and Trademark Office. While most interferences are not that long, the substantial delays in issuing a patent due to the lengthy interference proceedings and subsequent ex partes proceedings are harmful to both applicants and the public. Lack of confidence in the patent law system is the ultimate result.

In response to the problem, the Patent and Trademark Office already has published regulations to streamline this process (49 Fed.Reg. 3788 (Jan. 30, 1984)). The Committee finds, however, that one of the reasons for the lengthy proceedings in the Office is a jurisdictional problem that can only be cured by legislation. The Board of Appeals of the Patent and Trademark Office can consider patentability, but not priority. As noted above, the Board of Patent

Interferences can consider priority, but not all questions of patentability. This statutory jurisdictional inconsistency is eliminated through the merger of these two Boards. By combining the two Boards into a single Board having jurisdiction to consider priority and patentability, it is expected that interferences will become simpler, more expeditious, and less costly. Under the bill, all issues of patentability and priority which arise in an interference can be decided in a single proceeding rather than in a series of complicated inter partes and ex partes proceedings (see, e.g., Switzer v. Stockman, 333 F.2d 935, 936 (CCPA 1964) and Sze v. Bloch, 458 F.2d 137, 138-139 (CCPA 1972)). The Patent and Trademark Office and reviewing courts will no longer have to decide whether an issue is "ancillary to priority."

Section 207 provides that the amendments made by this title shall take effect three months after the date of enactment of this act.

Sections 201-207 are substantially derived from H.R. 4462 (section 2) and S. 1538 (sections 11 through 22).

APPENDIX P

ADMINISTRATIVE NOTICES

Here are set forth excerpts from 47 Fed. Reg. 21,746 (1982) (to be codified at 37 C.F.R. § 1.56); 49 Fed. Reg. 3,768 (1984) (to be codified at 37 C.F.R. §§ 1.601-88) (proposed Jan. 30, 1984); and, 49 Fed. Reg. 48,416 (1984) (to be codified at 37 C.F.R. §§ 1.601-88).

47 Fed. Reg. 21,746 (1982) (to be codified at 37 C.F.R. § 1.56):

. . . .

> The rule change is also designed to provide for review by the Board of Appeals of duty of disclosure issues which arise during patent application examination. This is accomplished by amending § 1.56 (d) to provide that the claims in an application be rejected if upon examination pursuant to 35 U.S.C. 131 and 132 it is found that applicant is not "entitled to a patent under the law" because of fraud or a violation of the duty of disclosure. The rejection would be made under the same conditions and circumstances previously used to strike an application, i.e., "clear and convincing evidence" of fraud or any violation of the duty of disclosure through bad faith or gross negligence. The statute, 35 U.S.C. 131, provides for examination of an application "and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent * * * " Section 132 of Title 35, United States Code, makes provision for the rejection of a claim for the patent as a result of the examination directed by 35 U.S.C. 131. While questions of fraud and violations of the duty of disclosure have historically been dealt with by the Commissioner through the

mechanism of striking the affected application, there is no statutory requirement that the Commissioner act in that manner. Clearly the Commissioner can choose how, and by whom, the examination directed by 35 U.S.C. 131 can be made. 35 U.S.C. 132 authorizes a rejection in those circumstances where applicant is not "entitled to a patent under the law." The rule change simply modifies the mechanism and procedures which the Commissioner will use where the applicant is not "entitled to a patent under the law" because of failure to comply with § 1.56 (d).

The rule change is also designed to clarify the interface between patent application examination and patent reexamination in certain areas. The two areas involved are duty of disclosure and concurrent proceedings involving a patent under reexamination and for which a reissue application has been filed.

49 Fed. Reg. 3,768-01 (1984):

. . . .

Supplementary information: The Patent and Trademark Office (PTO) conducts interference proceedings to determine who as between two or more applicants for patent or one or more applicants and a patentee is the first inventor of a patentable invention. Currently, the determination is made by a Board of **Patent Interferences**. Proposed legislation to combine the Board of Appeals and the Board of *Patent Interferences* into a single Board of Appeals and interferences (Board) and to give the Board authority to consider the patentability in an interference is pending before the Congress. See H.R. 4462 and S. 1538, as amended and reported out by the Subcommittee on Patents, Copyrights and

Trademarks of the Senate Committee on the Judiciary (reprinted in BNA's Patent, Trademark & Copyright Journal, Vol. 27, No. 656, pp. 94 to 97 (November 24, 1983)). Should the proposed legislation not be enacted, it will be necessary to revise this notice of proposed rule making and to hold further hearings. The proposed rules resuppose that the proposed legislation will be enacted.

Through the proposed rules the PTO seeks to improve interference procedure so that the rights of the parties in interferences may be settled at an early date and the overall process of examining patent applications which become involved in interferences may be simplified.

In order to obtain maximum input from the public prior to formally proposing these regulations, on August 1, 1983, the PTO published in the Federal Register an advanced notice of proposed rule making for interference rules, 48 FR 34836-34855. The advanced notice was not published in the official Gazette. Twenty-one written comments were received. All comments were thoroughly analyzed and are available for public inspection in room 12B10, Crystal Gateway II, 1225 Jefferson David Highway, Arlington, Virginia.

The proposed rules for interferences are set forth herein in §§ 1.601 through 1.688. The proposed rules would replace entirely the present interference rules (37 CFR 1.201 through 1.288). A "six hundred" number series is used for the proposed rules. If adopted, the use of a six hundred number series for the rules would permit interested individuals to research published decisions (e.g., F.2d, USPQ) or computerized

legal research services (e.g., LEXIS or WESTLAW) citing the rules.

* * *

The object of the interference would be to resolve all controversies as to all interfering subject matter defined by one or more counts. A final decision in the interference would determine who, if anyone, is entitled to claims which correspond to a count. Any decision adverse to an applicant by the Board would be a final refusal by the PTO to that applicant of the claims involved. Any decision adverse to a patentee would constitute cancellation from the patent of the claims involved.

* * *

Section 1.616, as proposed, would permit an examiner-in-chief or the Board to impose appropriate sanctions against a party who fails to comply with the rules or with an order entered in the interference. Paragraphs (a) through (e) set forth some of the possible sanctions which might be entered. The particular sanction to be entered would depend on the facts of a given case and originally would not be entered prior to giving the affected Party an opportunity to present its views. An individual examiner-in-chief could not impose a sanction granting judgment inasmuch as entry of a judgment requires action by the Board. See proposed § 1.610(a). A party desiring sanctions imposed against an opponent could move under proposed § 1.635 for entry of an order imposing sanctions.

49 Fed. Reg. 48,416-01 (1984):

SUPPLEMENTARY INFORMATION: The Patent and Trademark Office (PTO) conducts interference proceedings to determine who as

between two or more applicants for patent or one or more applicants and one or more patentees is the first inventor of a patentable invention. Heretofore, the determination was made by a Board of Patent Interferences. The Patent Law Amendments Act of 1984, Pub. L. 98-622, sections 201-202 combines the Board of Appeals and the Board of Patent Interferences into a single Board of Patent Appeals and Interferences (Board) and authorizes the Board to consider priority and patentability in interference cases.

* * *

Under the new rules, interferences are decided by the Board. The Board has jurisdiction to determine (1) priority of invention, (2) patentability of any claim corresponding to a count both as to applicants and patentees, (3) any issue of interference-in-fact as to any count, and (4) any other issue necessary to resolve the interference. The rules permit an interference to be declared on the basis of a single count defining one patentable invention in interferences involving patents as well as applications. The Board also has jurisdiction to determine whether counts are patentably distinct.

* * *

The object of the interference will be to resolve all controversies as to all interfering subject matter defined by one or more counts. A final decision in the interference will determine who, if anyone, is entitled to claims which correspond to a count. Any decision adverse to an applicant by the Board will constitute a final refusal by the PTO to that applicant of the

claims involved. Any decision adverse to a patentee constitutes cancellation from the patent of the claims involved.

* * *

Section 1.616 permits an examiner-in-chief or the Board to impose appropriate sanctions against a party who fails to comply with the rules or with an order entered in the interference. Paragraphs (a) through (e) set forth some of the possible sanctions which can be entered. The particular sanction to be entered would depend on the facts of a given case and ordinarily would not be entered prior to giving the affected party an opportunity to present its views. An individual examiner-in-chief could not impose sanction granting judgment inasmuch as entry of a judgment requires action by the Board. See § 1.610(a). A party desiring sanctions imposed against an opponent could move under § 1.635 for entry of an order imposing sanctions.